THE FREEMAN

IDEAS ON LIBERTY

Time to Kill Draft Registration

Invisible Value

Liberty and Entrepreneurship

Beyond Equality of the Sexes

Libertarianism as Communitarianism

DECEMBER 1994

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Christmas Gift Subscriptions

THE FREEMAN

Checking your holiday gift list? There is still time to give a year of *The Freeman* and *Notes from FEE* to friends, business associates, teachers, students, employees, clergy, libraries—whomever you choose.

First gift $25.00* (it can be your own subscription) *$40.00 Foreign
Each additional gift $12.50. Gift cards included.

New subscriptions begin with the January 1995 issue. Orders should be received at FEE by December 10, 1994, for delivery in time for Christmas.

Send 1 year of *The Freeman to:*

Name _____
Address _____
City _____
State_____**ZIP** _____

Send 1 year of *The Freeman to:*

Name _____
Address _____
City _____
State_____**ZIP** _____

Send 1 year of *The Freeman to:*

Name _____
Address _____
City _____
State_____**ZIP** _____

Send 1 year of *The Freeman to:*

Name _____
Address _____
City _____
State_____**ZIP** _____

Send 1 year of *The Freeman to:*

Name _____
Address _____
City _____
State_____**ZIP** _____

Send 1 year of *The Freeman to:*

Name _____
Address _____
City _____
State_____**ZIP** _____

Send 1 year of *The Freeman to:*

Name _____
Address _____
City _____
State_____**ZIP** _____

Send 1 year of *The Freeman to:*

Name _____
Address _____
City _____
State_____**ZIP** _____

My name _____
Address _____
City _____ **State** _____ **ZIP** _____

❑ENTER ❑RENEW MY OWN SUBSCRIPTION
TOTAL ORDER: 1 @ $25 and _____ @ $12.50 $_____
❑PAYMENT ENCLOSED
CHARGE MY: ❑VISA ❑MASTERCARD

Card # _____ Expiration _____
Signature _____

For fastest service, call (800) 452-3518 or fax (914) 591-8910.
THE FOUNDATION FOR ECONOMIC EDUCATION
IRVINGTON-ON-HUDSON, NEW YORK 10533

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE FREEMAN

IDEAS ON LIBERTY

CONTENTS

DECEMBER
1994
VOL. 44
NO. 12

652 **Nineteen Neglected Consequences of Income Redistribution** *by Robert Higgs*
The insidious effects of transfer payments.

658 **Closing the Green Gap of Market Liberalism** *by Karl Hess, Jr.*
How greens and market liberals can engage in the common cause of good environment and sustainable liberty.

664 **"Predatory Pricing" Laws: Hazardous to Consumers' Health** *by Donald J. Boudreaux*
Antitrust statutes stifle competition and injure consumers.

668 **Ideas and Consequences: "Environmental Regulations Aren't Cheap"** *by Lawrence W. Reed*
Businesses and local governments struggle with the spiralling costs of compliance.

670 **The Government as Robin Hood** *by E. C. Pasour, Jr.*
Practical and ethical problems of government poverty programs.

673 **Invisible Value** *by Jane S. Shaw*
Markets accomplish what good intentions cannot.

675 **Liberty and Entrepreneurship** *by Brian Lee Crowley*
When they are free to try, entrepreneurs will work their magic of social, cultural, and economic transformation.

679 **Beyond Equality of the Sexes** *by Jennifer Roback*
Making women equal to men in any particular is not equivalent to making women better off.

685 **Libertarianism as Communitarianism** *by Daniel B. Klein*
How libertarianism can help communitarians achieve their goals.

690 **Time to Kill Draft Registration** *by Doug Bandow*
Is peacetime sign-up "essential to our national security"?

696 **A Matter of Principle: The Real Enemy of Liberty** *by Robert James Bidinotto*
The first of Mr. Bidinotto's monthly *Freeman* columns.

698 **Health-Care Reform: Déjà Vu All Over Again** *by Steven Horwitz and Ronald M. Horwitz*
Lessons from the Federal Reserve Act and its aftermath.

701 **Origins of Federal Control Over Education** *by Charlotte Twight*
How government officials actively cultivated key myths to secure passage of two sweeping federal statutes.

705 **Passing Laws: Is Governing That Simple?** *by Eric-Charles Banfield*
Teaching legislators not to legislate.

707 **Correction, Please! Baseball Strikes Out** *by Mark Skousen*

709 **Book Reviews**
George C. Leef reviews *Cauldron* by Larry Bond; *The Right Data* by Edwin S. Rubenstein et al., reviewed by Robert Batemarco; *Money Meltdown: Restoring Order to the Global Currency System* by Judy Shelton, reviewed by Raymond J. Keating; *Lost Rights: The Destruction of American Liberty* by James Bovard, reviewed by William H. Peterson.

714 **Index 1994**

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE FREEMAN
IDEAS ON LIBERTY

Published by
The Foundation for Economic Education
Irvington-on-Hudson, NY 10533
Phone (914) 591-7230 FAX (914) 591-8910

President: Hans F. Sennholz

Managing Editor: Beth A. Hoffman

Guest Editor: Robert Higgs

Editor Emeritus
Paul L. Poirot
Lewisburg, Pennsylvania

Book Review Editor
Robert Batemarco
Marymount College, Tarrytown, New York

Associate Editors
John Chamberlain
Cheshire, Connecticut
Bettina Bien Greaves
Resident Scholar, FEE
Edmund A. Opitz
Chatham, Massachusetts

Columnists
Robert James Bidinotto
Staff Writer, Reader's Digest
Lawrence W. Reed
Mackinac Center for Public Policy
Midland, Michigan
Mark Skousen
Rollins College, Winter Park, Florida

Contributing Editors
Charles W. Baird
California State University, Hayward
Doug Bandow
Cato Institute, Washington, D.C.
E. Calvin Beisner
Covenant College, Chattanooga, Tennessee
Peter J. Boettke
New York University
Clarence B. Carson
American Textbook Committee
Wadley, Alabama
Thomas J. DiLorenzo
Loyola College, Baltimore, Maryland
Joseph S. Fulda
New York, New York
Roger W. Garrison
Auburn University
Robert Higgs
The Independent Institute, Oakland, California
John Hospers
University of Southern California
Los Angeles, California
Tibor R. Machan
Auburn University
Ronald Nash
Reformed Theological Seminary
Maitland, Florida
James L. Payne
Sandpoint, Idaho
William H. Peterson
Heritage Foundation, Washington, D.C.
Jane S. Shaw
PERC
Bozeman, Montana
Richard H. Timberlake
University of Georgia
Lawrence H. White
University of Georgia

The Freeman is the monthly publication of The Foundation for Economic Education, Inc., Irvington-on-Hudson, NY 10533. FEE, established in 1946 by Leonard E. Read, is a non-political, educational champion of private property, the free market, and limited government. FEE is classified as a 26 USC 501(c)(3) tax-exempt organization.

Copyright © 1994 by The Foundation for Economic Education. Permission is granted to reprint any article in this issue, except "Beyond Equality of the Sexes" and "Passing Laws," provided appropriate credit is given and two copies of the reprinted material are sent to The Foundation.

The costs of Foundation projects and services are met through donations, which are invited in any amount. Donors of $25.00 or more receive a subscription to *The Freeman*. Student subscriptions are $10.00 for the nine-month academic year; $5.00 per semester. Additional copies of single issues of *The Freeman* are $2.00. For foreign delivery, a donation of $40.00 a year is suggested to cover mailing costs.

Bound volumes of *The Freeman* are available from The Foundation for calendar years 1972 to date. *The Freeman* is available in microform from University Microfilms, 300 North Zeeb Road, Ann Arbor, MI 48106.

Cover: Dover Books

PERSPECTIVE

The Struggle for Liberty

America is becoming a police state. Each year, more and more actions become either officially forbidden or officially required. The scope for individuals to decide how to live their own lives grows steadily narrower. The list of crimes grows longer and longer, and any deviance may subject the citizen to the wrath of the police, the courts, and the prisons—not to mention the fiery violence of the Federal Bureau of Investigation, the Bureau of Alcohol, Tobacco and Firearms, and the Drug Enforcement Administration.

No one knows when the state will strike, for no one can possibly know whether he is violating the law—there are far more laws, regulations, and ordinances than anyone can possibly comprehend, much less obey. Citizens are now being punished for such "crimes" as filling in mud puddles or cutting down trees on their own land, selling vitamins and herbs, and charging to braid someone's hair without a license. Many are punished for no crime at all, when their property is seized without due process of law in so-called civil forfeitures.

How can Americans stop the expansion of the police state? There is no simple answer, but some prerequisites are clear.

First, people must come to a clearer understanding that using government to impose their personal preferences on everybody leads inexorably toward a society dominated by those in authority. One may disapprove of many things, including the use of dangerous narcotics or "quack" medicines, the reckless disregard of some developers for flora and fauna, the decisions of teenagers to quit school, and the uncivilized opinions expressed by certain entertainers. But one cannot justify using the power of the state to crush those whose actions strike him as merely foolish or unaesthetic.

Second, people must come to a clearer understanding that, in politics, things are seldom what they are represented to be. Government thrives on sham: often it does not do what it claims to do, such as protecting life and property, and often it does what

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

it is pledged not to do, such as singling out certain groups or individuals for selective punishment because of their unpopular attributes or beliefs. Because government and mendacity go hand in hand, it is *always* risky to trust government. To trust it to carry out conscientiously thousands of important activities—far more than anyone can monitor—is utterly foolhardy.

As a practical political strategy, it might be worthwhile to concentrate exclusively on the repeal of existing laws. We are entangled in so many and such unjustified restraints that the most immediate need is to cut through some of these chains. For some people this may seem to be an unappealingly negative program. But nothing is more positive than our liberties. With each chain that we cut, we become a little freer. There is so much that deserves to be demolished. To rest content with our present condition is to accept government officials as our masters, and freeborn men and women can never make that concession.

—ROBERT HIGGS

Economic (Un)Liberty, Kansas Style

Fifteen year-old Monique Landers is a criminal.

Her crime? The young African-American started and ran a successful business washing and braiding hair for profit.

For this criminal behavior, the Kansas state government threatened Monique with a fine or imprisonment in the county jail or both.

But Monique also was recognized for her business acumen by the National Foundation for Teaching Entrepreneurship, headquartered in New York. The Foundation honored Ms. Landers as one of five Outstanding High School Entrepreneurs.

Hair salons and cosmetology schools learned of Monique's achievement and complained. The Kansas Cosmetology Board put its foot down hard on the teenager: shut down your business or you might go to jail. Monique did not have a license to touch anyone's hair for money.

The Cosmetology Board's Executive Director said the youngster could go to a year-long cosmetology school if she wanted to braid hair. The problem: few such schools teach braiding and, to add insult to injury, those that did would not take her until she turned seventeen.

"The Board won't let me earn my own money, and won't let kids like me learn how to take care of ourselves," Monique said.

Monique is keenly aware of the virtues of economic liberty.

"I think owning your own business is a way of being free," she says. "If more kids knew they could grow up to be their own boss they would be more responsible and cause less trouble."

Monique knows about kids causing trouble; her one brother has been in jail and a sister has been expelled from school.

In her own eyes, Monique was a productive citizen; to the Kansas government, she was a criminal.

Cascade Update
Spring/Summer 1994

Democracy versus Liberty

[W]hen we ask where liberty is, "they" refer us to the ballots in our hands; over the vast machine which keeps us in subjection we have this one right: we, the ten- or twenty- or thirty-millionth of the sovereign, lost in the vast crowd of our fellows, can on occasion take a hand in setting the machine in motion. And that, "they" tell us, *is* our liberty. We lose it whenever an individual will takes sole possession of the machine: that is autocracy. We regain it when the right of giving the machine a periodical mass-impulsion is restored to us: that is democracy.

This is all either misdealing or cheating. Liberty is something quite different. Its essence lies in our will not being subject to other human wills: in our will ruling alone over our actions, only being checked when it injures the basic, indispensable requirements of life in society.

—BERTRAND DE JOUVENEL
On Power

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE FREEMAN
IDEAS ON LIBERTY

Nineteen Neglected Consequences of Income Redistribution

Robert Higgs

Virtually every government action changes the personal distribution of income, but some government programs, which give money, goods, or services to individuals who give nothing in exchange, represent income redistribution in its starkest form.

Until the twentieth century, American governments steered pretty clear of such "transfer payments." The national government gave pensions and land grants to veterans, and local governments provided food and shelter to the destitute. But the transfers to veterans can be viewed as deferred payments for military services, and local relief never amounted to much.

Since the creation of the Social Security system in 1935, especially during the past 30 years, the amount of income overtly transferred by governments has risen dramatically. In 1960 government transfer payments to persons amounted to $29 billion, or 7 percent of personal income. In 1993 the total came to $912 billion, or nearly 17 percent of personal income.[1] In other words, one dollar out of every six received as personal income now takes the form of old-age, survivors, disability, and health insurance benefits ($438 billion), unemployment insurance benefits ($34 billion), veterans' benefits ($20 billion), government employees' retirement benefits ($115 billion), aid to families with dependent children ($24 billion), and miscellaneous other government transfer payments ($280 billion) such as federal subsidies to farmers and state and local public assistance to poor people.

Dr. Higgs, this month's guest editor, is Research Director for the Independent Institute and a contributing editor of The Freeman.

Myth versus Reality

It is tempting to think about government transfers in a simple way: one person, taxpayer T, loses a certain amount of money; another person, recipient R, gains the same amount; and everything else remains the same. When people look at income redistribution in this way, they tend to make a judgment about the desirability of the transfer simply by considering whether T or R is the more deserving. Commonly, especially when the issue is discussed in the news media or by left-liberal politicians, R is portrayed as a representative of the poor and downtrodden and T as a wealthy person or a big corporation. Opponents of the transfers then appear callous and lacking in compassion for the less fortunate.

In fact, the overwhelming portion—more than 85 percent—of all government transfer

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

payments is not "means-tested," that is, not reserved for low-income recipients.[2] The biggest share goes to the elderly as pensions and Medicare benefits, and anyone over 65 years old, rich and poor alike, can receive these benefits. Today people over 65 have the highest income per person and the highest wealth per person of any age group in the United States. Federal transfer payments to farmers present an even more extreme case of giving to those who are already relatively well off. In 1989, for example, the federal government paid about $15 billion to farmers in direct crop subsidies, and 67 percent of the money went to the owners of the largest 17 percent of the farms—in many cases payments to farmers are literally welfare for millionaires.[3] It is simply a hoax that, as a rule, government is taking from the rich for the benefit of the poor. Even people who believe in the rectitude of redistribution à la Robin Hood ought to be troubled by the true character of the redistribution being effected by governments in America today.

But apart from the troubling moral questions raised by redistribution, the issue is far more complicated than ordinarily considered. Beyond the naked fact that T pays taxes to the government and the government gives goods, services, or money to R, at least 19 other consequences occur when the government redistributes income.

Neglected Consequences

1. Taxes for the purpose of income redistribution discourage the taxpayers from earning taxable income or raising the value of taxable property through investment. People who stand to lose part of their earnings respond to the altered personal payoff. As a result, they produce fewer goods and services and accumulate less wealth than they otherwise would. Hence the society is poorer, both now and later.

2. Transfer payments discourage the recipients from earning income now and from investing in their potential to earn future income. People respond to a reduced cost of idleness by choosing to be idle more often. When they can get current income without earning it, they exert less effort to earn income. When they expect to get future income without earning it, they invest less in education, training, job experience, personal health, migration, and other forms of human capital that enhance their potential to earn income in the future. Hence the society is even poorer, both now and later, than it would have been merely because taxes discourage current production and investment by the taxpayers who fund the transfers.

3. Recipients of transfers tend to become less self-reliant and more dependent on government payments. When people can get support without exercising their own abilities to discover and respond to opportunities for earning income, those abilities atrophy. People forget—or never learn in the first place—how to help themselves, and eventually some of them simply accept their helplessness. It is no accident that both material privation and lassitude distinguish individuals accustomed to living on payments such as Aid to Families with Dependent Children (AFDC).

4. Recipients of transfers set a bad example for others, including their children, other relatives, and friends, who see that one can receive goods, services, or money from the government without earning them. The onlookers easily adopt an attitude that they, too, are entitled to such transfers. They have fewer examples of hardworking, self-reliant people in their families or neighborhoods. Hence a culture of dependency on government transfers can become pervasive when many people in a neighborhood rely on such transfers for life's essentials or—where the recipients are better off—its comforts.

5. Because some transfers are more generous than others, some classes of recipients come to resent the "injustice" of the distribution of the largess. Hence arise political conflicts. Representatives of discontented groups politicize the determination of the amounts to be transferred and engage in continual jockeying to increase certain kinds of transfers, at the expense of others if necessary. Note, for example, the ceaseless activities of the American Association

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of Retired Persons, perhaps the most powerful lobby in Washington, striving to increase old-age pensions and Medicare benefits, or the National Association for the Advancement of Colored People, seeking to increase transfers that benefit blacks in particular. Such political maneuvering creates or exacerbates conflicts among groups defined by their eligibility to receive particular kinds of transfers: old against young, black against white, rural against urban, female against male, Northern against Southern, homeowner against renter, and so forth without visible limit. Society becomes more contentious.

6. Just as recipients engage in internecine warfare, so do taxpayers, who resent disproportionate burdens in funding the transfers. For instance, young people now learn that their Social Security taxes are going straight into the pockets of retired people who as a group are better off. Young taxpayers also learn that they probably will never recoup their own contributions, unlike the present-day elderly, who have realized an extraordinarily high effective rate of return on their contributions. (Currently the average married couple gets back everything ever paid in, with interest, in just over four years.[4]) Black Social Security taxpayers learn that, because of their lower life expectancy, they cannot expect to receive as much retirement income as the average white person can expect. Taxpayers who consider themselves disproportionately burdened grow to resent their exploitation by the tax-and-transfer system. Therefore they give more support to politicians who promise to defend their pocketbooks against legislative marauders, and they strive harder to avoid or evade taxes.

7. As a result of the preceding two consequences, the entire society grows more divided and pugnacious. Less and less does the society constitute a genuine community. Rather, it becomes balkanized into bellicose subgroups regarding one another as oppressors and oppressed. People lose their sense of belonging to a common political community with collective interests and joint responsibilities. Instead, fellow citizens regard each other as either patsies or moochers and feel personal hostility toward those who appear to be net gainers from the system. Some actually come to hate the perceived moochers. Witness the palpable hostility when shoppers paying cash wait in the check-out line at the grocery store while someone uses food stamps to make purchases.

8. Among the recipients of transfers, self-help institutions languish. In olden days the burden of caring for the less fortunate outside the family was borne mainly by friends and neighbors acting jointly through churches, lodges, unions, clubs, and other voluntary associations. When individuals can receive assistance directly from the government, competing private associations tend to wither and eventually die—at least their functions as helping institutions disappear. When they are gone, people who need help have nowhere to turn except to the government, which is unfortunate in many ways, because what the government does is not really the same. Nor is it as effective, especially in the long run, when private associations have much greater success in making sure that people who recover their capacities then resume taking care of themselves.

An observer noted that in the aftermath of the big Los Angeles earthquake, "Thousands of forlorn, atomized individuals did nothing but wait for a centralized savior, the federal government. America has been diminished by a system of compulsory compassion that simply wants true communities out of the way so that altruism can be left to the experts."[5]

9. Just as self-help institutions wither among the needy, so do charitable institutions among those who are better off. When government agencies stand ready to attend to every conceivable problem in society, people whose sensibilities incline them toward helping the less fortunate have less incentive to organize themselves for doing so. It is easy to say, "I pay my taxes, and plenty of them. Let the government take care of the problem." If one contributes charitably, it is as if one were paying twice

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

to accomplish the same objective. Hence, government transfers crowd out private transfers. Coercion, in the form of the tax system, displaces the voluntary provision of assistance, and private charitable institutions wane.

10. As citizens drop out of their involvement in charitable and helping institutions, letting the government take over, they become less self-directing and more accepting of all kinds of government activity. So when someone proposes that the government undertake a function previously carried out exclusively within the private sphere, people are not shocked; they are not even very suspicious of the government's ability to carry out the task. After all, governments now do all sorts of things, from socializing preschoolers to feeding the poor to insuring the medical expenses of the elderly. So what if the government takes on still another responsibility? What was once a prevailing suspicion of the enlargement of government becomes a resignation to or an acceptance of its continuing expansion into new areas.

In the nineteenth century, opponents of proposed new government programs would commonly protest: "The government has no business doing that." Nowadays we rarely hear anyone oppose a government initiative on these grounds. That there is a private sphere into which government ought never to intrude has become a nearly extinct species of thought as governments have spread their programs and activities, not to mention their regulations of "private" life, into almost every cranny of society.

11. Hence people do not mobilize political opposition so readily when new government programs are proposed. Facing less opposition, those who support the new programs are more likely to triumph politically. New government programs proliferate quicker, restrained somewhat by budgetary limitations but not much by fundamental ideological objections.

According to a recent *Wall Street Journal*/NBC poll, "when Americans were asked whether 'entitlements' should be cut to reduce the deficit, 61% said yes. But when they were asked whether 'programs such as Social Security, Medicare, Medicaid and farm subsidies' should be cut, 66% said no."[6] Evidently most people resent paying for the programs, but they have no objection to the programs themselves.

12. Redistribution involves more than T who pays and R who receives. In between stands B, the bureaucracy that determines eligibility, writes the checks, keeps the records, and often does much more, sometimes intruding into the personal lives of the clients. The mediating bureaucracies consume vast resources of labor and capital, accounting for much of the gross expense of the transfer system. For the government to transfer a dollar to R, it is never sufficient to take just a dollar from T. In addition a hefty "commission" must be paid to support B. From a societal perspective, one must recognize that labor and capital employed by the bureaucracies cannot be used to produce goods and services valued by consumers. Again, society is poorer.

13. Once a bureau is created, its personnel become a tenacious political interest group, well placed to defend its budget and make a case for expanding its activities. After all, who knows more about the urgent necessity of increasing a bureau's budget and staff than those who carry out its activities? The bureaucrats have a close hold on the relevant data and the ostensible expertise with respect to whatever problem they treat. Therefore they have potent advantages in the political process when they seek to augment the resources placed at their command. Agency experts will testify that outsiders "just don't know how serious the problem is."

A bureau often constitutes one side of a political "iron triangle," joined with the organized client groups that form the second side and the congressional committees with legislative jurisdiction or oversight responsibility that form the third side. When the bureau becomes politically embedded in this way, as most do, its impoverishment of society can continue indefinitely without serious political challenge.

14. Taxpayers do not simply cough up money to fund the transfers without resis-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tance. Many of them devote time, effort, and money to minimizing their legal tax liability or evading taxes. They buy books and computer software. They employ financial advisers, lawyers, and accountants. From time to time they organize political movements to campaign for tax relief à la California's Proposition 13. All the labor and capital employed in connection with tax resistance are unavailable to produce goods and services valued by consumers. Society is poorer, and will remain poorer as long as people continue to devote resources to tax resistance. (However, to the extent that tax resistance succeeds in making tax rates lower than they otherwise would have been, it promotes greater wealth creation in the longer run.)

15. In the end many citizens will pay taxes to finance the transfers. Even if no one tries to resist the taxes or alters his behavior in supplying labor and capital, the cost to taxpayers will be more than one dollar for each dollar taken by the government, because it is costly just to comply with the tax laws. Taxpayers must keep records, research the tax rules, fill out forms, and all the rest. These activities require time and effort withdrawn from valuable alternative uses. Many people, even though they intend nothing more than full compliance with the law, hire the expert assistance of accountants and tax preparers—the tax rules are so complicated that mere mortals cannot cope. Use of resources to comply with tax laws makes the society poorer.

According to a study by James L. Payne, just the private compliance expense of taxpayers plus the budgetary and enforcement expense of the IRS add $270,000,000 to the tab for each billion dollars of spending by the federal government.[7]

16. Just as taxpayers do not passively submit to being taxed, recipients and potential recipients of transfers do not just sit quietly waiting for their ship to come in. They also act politically. They form organizations, attend meetings, employ publicists and lobbyists, and campaign for political candidates who support their objectives. All the labor and capital employed in transfer-seeking activities are unavailable to produce goods and services valued by consumers. Society is poorer and will remain poorer as long as people continue to devote resources to seeking transfers.

17. Just as taxpayers must employ resources to comply with the tax laws, so recipients of transfers must employ resources to establish and maintain their eligibility to receive the transfers. For example, recipients of unemployment insurance benefits must visit the department of employment security and wait in long lines to certify that they are indeed unemployed. Sometimes they must go from place to place applying for jobs, which they may have no intention of accepting, in order to demonstrate that they are "seeking employment." Recipients of disability insurance benefits must visit doctors and other health professionals to acquire certification that they are indeed disabled. In each case, more resources are squandered, and society is that much poorer.

18. By adopting programs to redistribute substantial amounts of income, a nation guarantees that its government will become more powerful and invasive in other ways. Because government itself is the most menacing interest group in society, nothing good can come of this development, and much evil may come of it. As James Madison remarked more than two centuries ago, "one legislative interference is but the first link of a long chain of repetitions, every subsequent interference being naturally produced by the effects of the preceding."[8] When the government created Medicare and Medicaid in 1965, for example, it set in motion a train of events that led inexorably to the subsequent "crisis" of escalating health-care costs and thence to the bigger government now being wrought by congressional efforts to deal with this artificial crisis.

19. Creating a more powerful and invasive government means that the liberties of citizens will be diminished. Rights previously enjoyed will be set aside. For a long time American citizens enjoyed extensive rights in the negative sense—rights to be left alone by governments or other people as they

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

went about their lives. All individuals could enjoy such rights simultaneously. With the growth of the transfer society, American citizens have gravitated away from negative rights and toward positive rights, also known as welfare rights, which are in effect claims on the resources of other people. One person's welfare right entails a corresponding duty of other people to provide the resources necessary to satisfy the claim. As such entitlements have grown, therefore, liberties in the sense of negative rights have necessarily diminished.

Culmination

Ironically, in the full-fledged transfer society, where governments busy themselves redistributing income by means of hundreds of distinct programs, hardly anyone is better off as a result. Those who get something of value from the system frequently give up even more in taxes. Further, because many of the consequences of government income redistribution share the common aspect of impoverishing the society, even those who get a bigger slice than they surrender are cutting into a smaller pie. Only the ruling class—those who constitute the government—can confidently expect to gain, as each new program enlarges the number of official jobs and the bureaucracy's budget.

In the transfer society the general public is not only poorer but less contented, less autonomous, more rancorous, and more politicized. Individuals take part less often in voluntary community activities and more often in belligerent political contests. Genuine communities cannot breathe in the poisonous atmosphere of redistributional politics. Most importantly, the society that allows its government to redistribute income on a wide scale necessarily sacrifices much of its liberty.

Finally, one must recognize that, notwithstanding what some regard as the institutionalization of compassion, the transfer society quashes genuine virtue. Redistribution of income by government coercion is a form of theft. Its supporters attempt to disguise its essential character by claiming that democratic procedures give it legitimacy, but this justification is specious. Theft is theft whether it be carried out by one thief or by 100 million thieves acting in concert. And it is impossible to found a good society on the institutionalization of theft. □

1. U.S. Council of Economic Advisers, *Annual Report 1994*, p. 299.
2. James D. Gwartney and Richard L. Stroup, *Microeconomics: Private and Public Choice*, 6th ed. (Fort Worth: Dryden Press, 1992), pp. 409–410.
3. *Ibid.*, pp. 488–489.
4. Paulette Thomas, "BiPartisan Panel Outlines Evils of Entitlements, But Hint of Benefit Cuts Spurs Stiff Opposition," *Wall Street Journal*, August 8, 1994.
5. Arianna Huffington as quoted by John H. Fund, "A Spiritual Manifesto for a New Political Age," *Wall Street Journal*, July 13, 1994.
6. Thomas, "Bipartisan Panel."
7. James L. Payne, "Inside the Federal Hurting Machine," *The Freeman*, March 1994, p. 127.
8. "The Federalist No. 44," in *The Federalist* (New York: Modern Library, n.d.), p. 291.

To Our Readers

Effective January 1, 1995, the annual subscription-donation for *The Freeman* will be $30.00 for U.S. readers; $45.00 for foreign. Renewals at current rate are welcome! See inside front cover.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE FREEMAN
IDEAS ON LIBERTY

Closing the Green Gap of Market Liberalism

by Karl Hess, Jr.

When Earth Day, 1970, opened the environmental floodgates, the gap between market liberal thought and the first rumblings of a youthful environmentalism yawned deep and wide. Except for a scattering of lonely voices, the libertarian standard was absent from the field of public debate. Market liberals were out of place and caught off guard. They and their ideas were strangers in a strange and emerging landscape of revulsion against pollution, stridency toward overpopulation, celebration of the pristine, and evocation of a land ethic.

Over the past quarter century, free market environmentalists have made enormous strides in advancing the idea of liberty in the cause of a healthier environment. The literature of market environmentalism is rich and creative, quoted in mainstream periodicals and echoed in policy debates. Yet for all the hoopla over its success, the gap between green sensibilities and free market solutions persists to this day. Try as hard as they might, market liberals have not seized the moral or ecological high ground. And the reason is clear: free market environmentalism has failed to articulate a compelling vision of man and nature in close and lasting harmony.

Mr. Hess is a Senior Associate with the Foundation for Research in Economics and the Environment and a Senior Environmental Fellow at the Cato Institute.

Part of the problem is the way in which market liberals think about both the environment and the debate that rages over its well-being. Some see it only in the light of conspiracy. In true cold war fashion, they decry environmentalism and its upswell of issues as the machinations of greenly disguised reds. Others, such as those of a scientific bent, are more subtle. They ply their science in what amounts to reverse alchemy, transmuting environmental issues into non-issues, environmental apocalyptics into environmental hyperbole. And even among the small tribe of market liberals who are declared environmentalists, nature is often nothing more than a sounding board for ideological debate: take away the state and defer to free markets and private property rights, and all is right between man and nature.

Aside from the lesser or greater truths of these positions, the remarkable fact is that nature and the environment are largely incidental to the incantations of free market environmentalists. No wonder, then, that green-baiters, scientific obfuscators, and Panglossian optimists are almost always circling their wagons to fend off environmental assaults. They steep their message in the principles of liberty, yet they fail to articulate it with environmental commitment, compassion, and credibility. They are masterful at proving why good environment depends on liberty, but they are derelict at

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

showing why *liberty relies, in the most basic sense, on good environment*. Instead, they debase their message with *ad hominem* arguments, scientific denials, and utilitarian appeals to the economic efficiency of free markets.

But the fault line of market environmentalism runs deeper and wider than cavalier disregard for the message and messenger of evangelical environmentalism. As if by knee-jerk reaction, market liberals clump the many diverse streams of environmental thought into a stereotypical mold, into everyman's strawman—the new-age theologian, born-again to the unified church of state and nature. Spiritualism is the dead giveaway, proof-positive of the foibles of environmentalism, in much the same way the religious enthusiasm of William Lloyd Garrison and his cohorts was proof-positive of the wackiness of the anti-slavery movement in the pre-Civil War South. Paranoia and misinformation are the self-forged shackles of libertarian environmental thought. They compel men and women of high principles and superior ideas to embark on a lonely journey that forsakes potential allies and forgoes promising diversions from the main path of their intellectual journey.

Prick a Greenie and Find a Libertarian

Market liberals have turned their eyes from and deafened their ears to what should be cause for celebration and hope for the advancement of libertarian ideals. They have stubbornly refused to come to terms with an enticing fact: except for the corporate environmentalists who make their living lobbying and running the federal government, the moral center of the environmental movement belongs to those whose ideals are at minimum quasi-libertarian.

Classic environmental heroes, for example, ally themselves with the principles of decentralism and individual self-governance. Edward Abbey, novelist and movement guru, wrote eloquently of his personal anarchism and pleaded in *Desert Solitaire* for wilderness as a buffer and refuge against "authoritarian government" and "centralized domination." Aldo Leopold, the moral spokesman of the movement, noted that "[o]ne of the curious evidences that conservation programs are losing their grip is that they have seldom resorted to self-government as a cure for land abuse."

The list of living heroes is no less impressive. Murray Bookchin, in *The Ecology of Freedom,* evokes a strident libertarian defense of personal freedom and offers that defense as the best offense for guarding the integrity of nature. Christopher Manes, Earth Firster! and chronicler of *Green Rage,* links the environmental cause to Jeffersonian democracy—"to radical, grassroots democracy, based on the ward level and ever prepared to overturn any accumulation of power by those in leadership roles." And Holmes Rolston, an environmental ethicist in the "Deep Ecology" tradition, in his book *Environmental Ethics*, echoes the sentiments of F. A. Hayek: "There is a kind of order that arises spontaneously and systematically when many self-concerned units jostle and seek their own programs."

And if the words of environmental heroes past and present are not enough, market liberals might consider the plethora of charts and tables that set the so-called "green paradigm" against that of modernity. For example, in Derek Wall's current *Green History,* "the politics of industrialism" are enumerated side by side with "the politics of ecology." Modern values of centralization, hierarchy, dependency, representative democracy, and law and order are countered by green virtues of decentralization, nonhierarchical structure, self-reliance, direct democracy, and—yes!—*libertarianism.*

Environmentalists who strive at the grassroots level and greens who spin the mythologies of "Deep Ecology" are far from consistent in their libertarian acts and words, but the fact remains that their ethics and morality are rooted in libertarian sentiments. If this is the case, why do so many environmentalists eschew their libertarian roots in practice and why, more importantly, do so many market liberals ignore the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

deep affinity that exists between themselves and the watermelon strawman they have devoted so much time to tearing down? Why do free marketeers read and write so many books on "eco-scams" and "environmental overkills" when they could be laying the groundwork for an environmental alliance that advances the principles of liberty?

The Great Divide

Greens and free marketeers can point to many differences that set them apart, but the greatest divide of all starts and ends with free markets. For reasons that escape most market liberals, rank and file environmentalists have a deep-rooted antipathy to free markets and a free market economy. That alone, it is argued, sets them apart from the libertarian world of non-coercion and voluntary consent and earns them the well-deserved scorn of principled market liberals.

And there is truth to this. Writers in the deep ecological vein of Murray Bookchin—people whose proclaimed affinities are libertarian or anarchist—are strangely at ease when it comes to disparaging the market. In *The Ecology of Freedom,* for example, Bookchin spares no words in his assault on market forces and the free market, arguing that the free marketeer's icon is by nature oppressive and by historical record antagonistic to personal freedom. Moreover, the "green paradigm" has little use for the free market. A free market economy is merely one of several distinguishing features of the anti-ecological "politics of industrialism." In contrast, local production for local need is the key to sustainable living and the vital fulcrum for the "politics of ecology."

Market liberals have good reason to be upset with the market-unfriendly attitudes of greens. First, green bias against markets is simply unwarranted. Markets, when coupled with secure and exchangeable property rights, foster our acting as efficient stewards of nature's amenities. The absence of markets—*not their oppressive presence*—is what most threatens personal freedom and most endangers nature's integrity. Second, the elimination of markets from the menu of environmental solutions would appear to leave nature at the mercy of the state—a clearly unpleasant option for the committed libertarian. Interestingly enough, it is also a distasteful option for most greens and grassroots environmentalists. They are not enamored with state action, they are simply in a quandary. When forced to choose between impersonal market forces and government regulation, they choose the latter in the belief that politics offers more certainty and control than free markets.

This presumption is not entirely outlandish given the narrow spectrum of choices that environmentalists see before them. Like their conservation brethren at the turn of the century, greens are grappling with the issue of sustainability. One hundred years ago, the issue of sustainability focused on the overcutting of public forest and overgrazing of public rangelands—all the result of a policy-generated tragedy of the commons. Rather than opt for markets and private property ownership, policy-makers settled on government regulation and ownership of one-third of the nation's land.

Today, the issue of sustainability—the impetus for modern-day environmentalism—is much different. At stake is more than finding a means to conserve common lands that could just as easily—and *more effectively*—have been divided among private owners and stewarded in concert with market forces. Central to the green paradigm is concern over sustaining ecological intangibles that are resistant to simple market solutions and straightforward private property resolutions. Things like ecological processes that transcend human convention, vast Western vistas that forge a national identity, natural communities (plant and animal) that know no property boundary, and water and air flows that knit human-divided landscapes into a common watershed are emergent commons whose sustainability is of increasing concern to environmentalists.

Greens and market liberals part company at this point, one resigned to government intervention as the least of two evils and the other entrenched in ideas and solutions that

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

appear to be the only option compatible with individual liberty and personal freedom. As a result, greens and market liberals have reached an impasse, but one that is far more modest than either side dares to realize or accept. The great divide that sets them apart is not Grand Canyonesque in scale; it is merely a subtle change in the lay of the land and the color of the grass on the other side of the tracks.

The Market and the Marketplace

Strange as it may seem, environmentalists and market liberals are both creatures of the market. Where their difference lies is in which market—or, *more accurately, on which side of the market*—one or the other finds comfort and solace. On one hand, the market is a global network of impersonal economic exchanges. Through the media of currency and free trade, it shuffles information, goods, and people between near and distant places. As such, the market is process; it is the unrelenting flow of energy (in the form of price) that magically orchestrates and coordinates infinite transactions between mostly anonymous people. Individuals may succeed or fail according to their merits, but society as a whole prospers and advances in the wake of free exchange. This is the market celebrated by market liberals, the market relied on by free marketeers to bring harmony between man and nature.

While the market of global process and exchange is essential to the well-being of society, it is not sufficient for the happiness of most people. The market that matters most to people lies closest to home. It is the place—*the marketplace*—where people gather to exchange in voluntary fashion everything from cash to good ideas to friendship to mutual aid and cooperation. It is the *deep market* of community, the cooperative flip side to the market of competition and impersonal economic forces. Here, people fill needs and seek values that can't be readily satisfied by the currency of dollars or measured by the usual standard of efficiency. They join together to embark on an open-ended pursuit of happiness, to give and acquire through consensual sharing the social currency that builds secure homes, safe neighborhoods, and happier lives. Through association and community, people tame and subdue the crueler side of the impersonal market, creating without direction or intent the fabric of an enduring social order. This is the marketplace to which the greens owe allegiance, the felicitous realm of local production for local need.

Environmental critique of free market environmentalism invariably arrives at the distinction between the market and the marketplace. To many greens, the market is oppressive because it *seems* to relegate to impersonal forces the final authority over decisions that rightfully belong to the individual and community. Market liberals, of course, are quick to remind greens that the market is founded on voluntary exchange; there is no compulsion for the individual to act against his or her will. While this is true, the greens do make a valid point, particularly in an America where political power rests not in small communities but resides in an all-powerful, centralized state.

For all their fuzzy-mindedness, greens seem to understand what Alexis de Tocqueville meant when he advanced community and association as the individual's sole bulwark against "the most galling tyranny," the tyranny of the American majority. However, what greens have done, and what upsets market liberals most, is to expand Tocqueville's fear of unbridled democracy to encompass free markets. This does not mean that greens are anti-free market by conviction any more than Tocqueville was opposed to democracy in America in principle. It simply means that environmentalists have figured out what free marketeers should have long known: markets bereft of the buffering effect of voluntary association and community are as threatening to liberty as the unbridled state. Therein lies the challenge to both greens and market liberals—how best to save the marketplace from both the state and the impersonal market.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Little Platoons and Little Commons

Community and association are the common ground where both greens and free marketeers can ply their libertarian visions in unison to forge a viable option to the environmental welfare state. For greens, community is the organizing principal of self-regulating nature. It is also the moral and environmental context in which individuals can and should practice a land ethic—an ethic that entails membership in a local land community and that elicits care towards nature in its full diversity.

For market liberals, voluntary association and community are a proud heritage, in which the libertarian tradition in America flourished for nearly three centuries. Pioneers from almost every corner of the earth arrived in the youthful nation, coalesced into voluntary communities, and built towns where democracy involved more than yearly elections; it was immediate and participatory, creating what Tocqueville fondly described as little laboratories of liberty. Town meetings were the templates of liberty; "[they] are to liberty," Tocqueville wrote, "what primary schools are to science; they bring it within the people's reach, they teach men how to use and how to enjoy it."

Tocqueville's town meetings and voluntary associations are either nonexistent or attenuated in today's America. The state has usurped the role and function of community in attending to the vital needs of both nature and civil life. The roots of social disintegration and environmental degradation lie there, in the death of what Edmund Burke affectionately called *little platoons*. "Take away the functions," writes Charles Murray in his book, *In Pursuit of Happiness and Good Government,* "and you take away the community. The cause of the problem is not a virus associated with modernity, it is centralization of functions that shouldn't be centralized, and this is very much a matter of political choice, not ineluctable forces."

Clearly, closing the green gap of market liberalism means adding community and association to the repertoire of free market tools. This is not to say that market liberals have forgotten community and association while advancing the cause of liberty. In the realms of health care and social welfare they have creatively and eagerly embraced social cooperation and voluntary association as part of a libertarian solution. Now it is time to do the same in the realm of nature and the environment.

Free marketeers must look beyond market gimmicks and private property rights to solve festering environmental problems—and to solve them in a manner still consistent with liberty. The new environmental commons of ecological processes, scenic vistas, unbounded communities of plants and animals, and free-flowing streams of air and water demand solutions that encompass yet go beyond ordinary markets and property rights. Dealing with that commons requires more than buying a piece of land or setting the invisible hand free on an unfettered market. The environmental commons is a challenge to community—or, in the absence of community, a challenge that will be eagerly and hungrily taken up by a centralized state in search of an equivalent to militarism.

Greens and market liberals can engage in the common cause of good environment and sustainable liberty if they will only take the time to appreciate and exploit the less obvious and deeper expressions of the free market paradigm. Sustaining free-ranging ecological processes may require neighbors and neighborhoods to cooperate and enter into an array of protective covenants and binding social agreements at the local level. Communities that value open spaces and untrammeled vistas may have to find new tools of self-governance to curb the tragedy of the commons that is now transforming desirable environments into exploited landscapes. Associations and cooperatives may have to be formed to protect unbounded communities of plants and animals and steward free-flowing streams of water and air.

None of this is impossible. Local, self-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

governing solutions to common resource dilemmas are emerging in greater numbers every day. On the north fork of the Clark River in northwestern Montana, neighbors are joining together voluntarily to protect their most prized common resource: the river. From coast to coast, neighbors and likeminded people are combining in association to tackle the toughest of environmental problems—problems for which private property rights and markets fall short and for which the state is unwelcome. And emerging from these trial-and-error experiments in Jeffersonian democracy are the nuclei of community—little platoons whose meaning and purpose reside in caring for the many little commons ushered in by the age of environmentalism. □

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE FREEMAN
IDEAS ON LIBERTY

"Predatory Pricing" Laws: Hazardous to Consumers' Health

by Donald J. Boudreaux

The local Wal-Mart in Conway, Arkansas, began selling pharmaceuticals in 1987. As with all of its other products, Wal-Mart sold high-quality medicines and health and beauty aids at rock-bottom prices. Not surprisingly, Wal-Mart's pharmacy business boomed. But rather than receive applause for its enterprising efforts, Wal-Mart was sued for violating antitrust law. In October 1993, an Arkansas trial court ordered Wal-Mart to raise its pharmaceutical prices and to pay treble damages to three local competitors who complained about Wal-Mart's low prices.

Unfortunately, harassment of firms that charge low prices is not unusual in the Alice-in-Wonderland world of American antitrust law. Although antitrust statutes are trumpeted as protectors of competitive markets and consumers, these laws in fact stifle competition and injure consumers. The pernicious nature of antitrust laws is nowhere more blatant than in so-called "predatory pricing" regulations, such as that used against Wal-Mart in Arkansas.

The "Logic" of "Predatory-Pricing" Prohibitions

"Predatory pricing" is said to occur when a firm seeking to monopolize a market sells its wares at prices below the firm's costs of production. Such below-cost pricing, it is said, unjustifiably inflicts losses on equally efficient rivals ("prey"). These losses force the prey eventually into bankruptcy, leaving the predator as the only seller in the market. The predator becomes a monopolist tomorrow by charging "excessively" low prices today. Thus, the benefit consumers get from today's low prices is more than offset (it is assumed) by the harm they suffer from tomorrow's monopoly prices.

If successful "predatory pricing" as described in the preceding paragraph occurred with some frequency, the case for legal sanctions against it would have a plausible basis. There is no good reason, however, to suppose that "predatory pricing" occurs. A vast amount of theory and evidence suggests that firms attempting to monopolize markets via below-cost pricing are almost sure to fail.[1] And profit-seeking firms are not prone to pursue strategies that consistently misfire. It follows that legal prohibitions against "predatory pricing" are, at best, unnecessary.

Dr. Boudreaux is Associate Professor of Law and Economics at Clemson University.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Why "Predatory Pricing" Is Not a Problem

While no one doubts that each firm *wants* to be a monopolist, economics shows that below-cost pricing is an especially futile method of achieving monopoly power. "Predatory pricing" will not work because a predator's prey have available several practical counterstrategies to ensure that they are not run out of business by "predatory pricing."

Suppose Predator, Inc., seeks monopoly power by charging a price below cost. Predator, Inc., must be willing to expand its output and sales at the below-cost price, for only then will it take customers away from its prey and, thereby, force its prey likewise to charge prices below cost. So, the predator inevitably suffers losses during the predatory period. Although the prey may also suffer losses from having to meet Predator, Inc.'s below-cost price, each prey suffers *fewer* losses than does the predator: Predator, Inc., must expand its sales at the below-cost price while each of the prey reduces its sales volume to loss-minimizing levels.[2]

The fact that predators would necessarily incur greater losses than their prey should be sufficient, standing alone, to demolish arguments in support of government prohibitions of "predatory pricing." Government serves no good purpose by policing against actions that no one has incentives to pursue. However, advocates of laws against "predatory pricing" reply that predators typically have "longer purses" than do prey—i.e., access to greater wealth to fund price wars. Accordingly, even though predators incur greater losses than do prey, predators are thought to have greater ability to withstand such losses.

This argument is unfounded. "Longer purses" are unlikely in economies with functioning capital markets. In predatory-price wars, efficient prey with no spare funds of their own would be able to borrow the funds necessary to wage counterattacks against predators. After all, predatory pricers (by assumption) attempt to bankrupt firms that promise to be profitable once they've withstood the predation. Investors make their living by successfully identifying firms that can use money today to turn profits tomorrow.

But even if predators do have access to "longer purses" than do prey, it is doubtful that firms with funds on hand will invest in attempts to drive efficient rivals from business via below-cost pricing strategies. A much more profitable use of these funds would be to improve production efficiency or to enhance product quality. Not only does improved efficiency or product quality directly add to profits, but rivals cannot match such improvements as easily as they can match price cuts. Firms seeking enduring competitive edges over rivals will invest in ways that rivals find difficult to mimic. Moreover, unlike a predatory pricer, a firm that improves its efficiency or product quality typically suffers no greater expenses than its copycat rivals.

There are yet other reasons to doubt the reality of below-cost pricing as a monopolization scheme. Suppose Predator, Inc., somehow manages to run all of its rivals from the industry. What now? Predator, Inc., must jack its prices up to monopolistic levels in hopes of earning enough monopoly profits to more than offset the losses it incurred when it priced below cost. But nothing cures monopoly like excess profits. Predator, Inc.'s price hikes will attract rivals into the industry, squelching its ability to recoup its predatory losses. Predator, Inc., will find that it spent money in a failed effort to achieve a monopoly.

Of course, entry of new firms doesn't happen instantaneously—but neither does the exit of preyed-upon rivals. Predator, Inc., wants its prey to exit the industry quickly (so that its up-front losses are small) and new rivals to enter, if at all, only slowly (so it has sufficient time to recoup its predatory losses via monopoly pricing). Unfortunately for Predator, Inc., however, industries in which exit is quick are industries in which new entry is quick; industries in which new entry is slow are industries in which exit is slow.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The symmetry between rivals' exit-time and entry-time discourages reasonable firms from pursuing "predatory-pricing" strategies. This symmetry exists for a straightforward reason. Ignoring government-erected barriers, entry by firms into an industry will be slow only insofar as investments of capital goods in that industry are "industry specific"—that is, only if equipment for use in that industry has no good alternative uses. Investors are naturally reluctant to commit to projects requiring capital goods whose only other use is as scrap. They realize that once they commit their funds to industry-specific machines, tools, and buildings, they cannot easily go elsewhere for a profit if the industry proves to be unremunerative. (For example, once money has been used to build railroad tracks, the next-best use for railroad tracks is as scrap. Therefore, a railroad will not quickly be run out of business by a rival who charges unusually low rates. A predatory railroad would have massive up-front predation costs.) Thus, the only industries in which the entry of rivals will be slow are industries in which running existing firms out of business takes a long time. The huge up-front predation costs in such industries render "predatory pricing" foolish.

Conversely, industries in which the prey quickly exit are industries that use large proportions of capital having good alternative uses. In these industries, although exit of the prey may be quick, entry will likewise be rapid. The predator will have insufficient time to recoup its losses. In this case, recoupment of predatory expenses would be impossible in the face of rapid entry.

Conclusion: Policies Against "Predatory Pricing" Are a Problem

Economics suggests a number of other reasons why "predatory pricing" is unlikely to succeed (and, hence, unlikely to occur). Space does not permit a review of these additional reasons here. It is important to indicate, however, why laws aimed at stopping "predatory pricing" are themselves quite dangerous.

One way to see the folly of laws against "predatory pricing" is to ask: What would be the value of telling the police to protect citizens against, say, invasions of fire-breathing dragons? *If* dragons were real, and *if* these creatures posed a genuine threat to human safety, *then* such police actions might be appropriate. But, of course, fire-breathing dragons don't exist (although lots of folks have written about them). Whatever monies public agencies spend guarding against dragon invasions are wasted—diverted from real and more pressing needs. So it is with laws against "predatory pricing." "Predatory pricing" is a mythical beast. Funds spent to hunt down and subdue the beast are wasted.

Unfortunately, there is another, more severe problem with laws proscribing "predatory pricing." "Predatory-pricing" prohibitions dampen vigorous competition. In the words of the U.S. Supreme Court, "cutting prices in order to increase business often is the very essence of competition." Consequently, mistaken inferences of predation—and, the Court might have added, the very ability to sue rivals for predation—"chill" healthy competitive rivalry.[3]

For example, Wal-Mart was sued by rival pharmacists, not by consumers fearful of future monopoly prices. These pharmacists sought shelter from competitive forces. Rather than suffer lower profits or the necessity of matching the new higher standard of responsiveness to customer demands set by Wal-Mart, the plaintiffs instead accused Wal-Mart of "predatory pricing." Their wish—granted by the trial court—was to make Wal-Mart less customer-friendly so that they, Wal-Mart's rivals, might avoid robust competition. At trial, one of the plaintiffs whined that he had to do "a lot of belt tightening" after Wal-Mart opened.[4] Another plaintiff declared that he sued to make Wal-Mart raise its prices: "I want them to raise their prices. . . . I cannot compete with Wal-Mart."[5]

Fact is, Wal-Mart behaved just as firms in competitive market economies are sup-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

posed to behave. Wal-Mart charged lower prices because it pioneered more efficient retail-distribution methods. These efforts redounded to the benefit of both Wal-Mart (higher profits) and customers (lower prices). But the trial court effectively kicked consumers in the teeth by ruling for the plaintiffs. Firms everywhere now will more readily resort to the courts for protection against spirited competition. Consumers are the unambiguous losers under a legal regime recognizing the legal right of firms to sue rivals for so-called "predatory pricing." Sadly, there is much truth in columnist Llewellyn Rockwell's claim that "the long, sorry history of anti-trust shows that the policy is really about using government to create cartels, not enforce competition."[6] □

1. See, e.g., Kenneth G. Elzinga and David E. Mills, "Testing for Predation: Is Recoupment Feasible?" *Antitrust Bulletin*, Vol. 34 (Winter) 1989, pp. 869–893.

2. Robert Bork summed up the case against "predatory-pricing" laws: "It looks like the best method of predation is to convince your rival that you are a likely victim and lure him into a ruthless price-cutting attack." Robert H. Bork, *The Antitrust Paradox* (New York: Basic Books, 1978), p. 152.

3. *Matsushita Electrical Industrial Co. v. Zenith Radio Corp.*, 475 U.S. 574 (1986), p. 589.

4. Testimony of plaintiff James Hendrickson, *Wal-Mart Stores, Inc. v. American Drugs, Inc., et al.*, p. 1634 of the trial record. This same plaintiff also admitted that the pharmaceuticals market became more competitive after Wal-Mart entered. See trial transcript at p. 1649.

5. Trial testimony of Dwayne Goode, *id.*, p. 1615.

6. Llewellyn H. Rockwell, Jr., "Mashing Microsoft," *The Washington Times*, Friday, July 22, 1994.

The Blindness of Planners

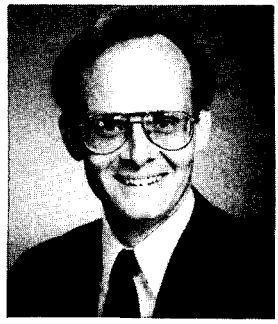
IDEAS ON LIBERTY

There is more than a germ of truth in the suggestion that, in a society where statisticians thrive, liberty and individuality are likely to be emasculated. Historically, Statistics is no more than State Arithmetic, a system of computation by which differences between individuals are eliminated by the taking of an average. It has been used—indeed, still is used—to enable rulers to know just how far they may safely go in picking the pockets of their subjects. A king going to war wishes to know what reserves of manpower and money he can call on. How many men need to be put in the field to defeat the enemy? How many guns and shirts, how much food, will they need? How much will all this cost? Have the citizens the necessary money to pay for the king's war? Taxation and military service were the earliest fields for the use of Statistics. For this reason was Domesday Book compiled.

We are reminded of the ancient statisticians every Christmas when we read that Caesar Augustus decreed that the whole world should be enrolled, each man returning to his own city for registration. Had it not been for the statisticians Christ would have been born in the modest comfort of a cottage in Nazareth instead of in a stable at Bethlehem. The story is a symbol of the blindness of the planners of all ages to the comforts of the individual. They just didn't think of the overcrowding there would be in a little place like Bethlehem.

—M. J. MORONEY
Facts from Figures

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED



Environmental Regulations Aren't Cheap

Are the costs of environmental regulations spiralling out of control? Just ask the city of Columbus, Ohio.

In 1991, the city commissioned a pioneering study of federal and state environmental requirements as they impinge upon city finances. Nearly 20 percent of the total city budget, the study predicted, would have to be spent by 1995 to comply—a sum well in excess of $100 million.

"We will spend millions cleaning up an already clean water system, and it's questionable whether we would improve the health" of city residents, the mayor's chief of staff said recently.

At least Columbus won't have to spend any more to test water for a pesticide that was once used exclusively on pineapples in Hawaii and has been banned for nearly two decades. The federal Environmental Protection Agency (EPA) was finally convinced last year that cities shouldn't have to do that any more.

Businesses and governments all across America are waking up to a shocking fact of life: environmental regulations are a supergrowth industry, and one that threatens to swallow up their resources and cripple their ability to survive in an increasingly competitive, penny-pinching world. It's enough for many to recall what the Founders accused King George of in 1776: "He has erected a multitude of new offices, and sent hither swarms of officers, to harass our people, and eat out their substance."

The principal culprit in all this, America's geyser of environmental rules, is the EPA. With lots of money and plenty of staff, the agency churns out regulations and mandates as if cost is no object and conjecture is sufficient evidence of likely benefit. It boasts a staff that exceeds 18,000 and an operating budget approaching $5 billion. *Forbes* magazine calculates that the EPA's staff has quadrupled since 1970 and its inflation-adjusted spending has gone up ten times.

In 1990, the EPA estimated that compliance with its regulations was costing Americans approximately $115 billion per year—almost $500 for every man, woman, and child. That's without a doubt the understatement of the decade. Municipalities, notes *Science* magazine Deputy Editor Philip H. Abelson, have reported instances in which real costs exceeded EPA estimates by a factor of 20 or more.

Philadelphia mayor Ed Rendell has cited many instances of EPA's grossly underestimated costs to his city. The agency, for example, figured that preparing storm water permits would cost the city only $76,681, while the actual number turned out to be $916,950.

Experts in both government and industry are raising questions about the worth of all this spending for regulatory compliance. The federal Office of Management and Bud-

Dr. Reed, economist and author, is President of The Mackinac Center for Public Policy, a free market research and educational organization headquartered in Midland, Michigan.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

get stated in 1990 that regulation of atrazine in drinking water as carried out by EPA under the Safe Drinking Water Act would cost $93 billion for every life prolonged. The Dallas-based National Center for Policy Analysis calculates that an EPA rule on wood preservatives costs an astounding $5.7 trillion for every life presumed to have been saved by it.

Statistical models developed in California have shown that one fatality is induced every time regulations reduce Gross National Product by between $5 million and $12 million. The expenses of compliance with EPA rules, those models suggest, already are responsible for inducing over 30,000 deaths per year. When the Clean Air Amendments are fully implemented, you can add another 5,000 to that.

"I've never seen a single rule where we weren't paying at least $100 million per life," Yale Law School Professor and recent EPA legal counsel E. Donald Elliott told *Forbes*.

Studies have confirmed that the death rates for high school football are anywhere from 100 to 2,000 times higher than death from asbestos in school buildings. Children are from 2,700 to 54,000 times more likely to drown than to die from asbestos. Yet, under orders from the EPA, communities have spent hundreds of millions to remove asbestos from schools.

There are other ways to assess the impact of the problem. The American Council for Capital Formation says that by the year 2005, environmental regulations as a whole will have reduced the U.S. capital stock by 4.3 percent and increased the cost of capital by 5.5 percent. CONSAD Research Corporation, a Pittsburgh-based consulting firm, projects that at least 200,000 jobs will be lost due to the Clean Air Act amendments of 1990 alone.

Adding salt to the wounds, EPA Administrator Carol Browner boasted in November 1993 that her agency had issued 25 new air regulations in the first 10 months of the Clinton administration.

On and on it goes. The numbers add up as our standard of living and our liberties erode. The environmental juggernaut just rolls on oblivious to the damage it leaves in its wake. The EPA, the Congress, and many state agencies are presiding over the greatest expansion of the intrusiveness of government Americans have ever seen, all in the name of cleaning up the country and often with little or no good to show for it.

This is real money that governments and businesses are spending. These are real lives that regulations are costing. Neither money nor lives are inexhaustible resources. Nor are the freedoms we sacrifice each time we allow government to trample property rights in the name of environmental regulation.

All this zealous "regulate for the sake of regulating" activity is occurring, by the way, at a time when scientific evidence overwhelmingly suggests that our environment today is cleaner than it was 50 years ago, and safer for humans than at any time in history. That fact is documented thoroughly in a new book published under the auspices of the Chicago-based Heartland Institute, entitled, *Eco-Sanity: A Common Sense Guide to Environmentalism*.

Authors Joseph L. Bast, Peter J. Hill, and Richard C. Rue assemble unassailable facts and figures and the most compelling argumentation to make this point: government has been a poor environmental steward and a counterproductive regulator. Genuine environmentalism that keeps the environment clean calls for respecting property rights and utilizing marketplace incentives. It's a case that cries out for public attention, for it constitutes the only viable alternative strategy to the current regulatory Inquisition.

Those of us who believe in both freedom and a clean environment must make the case that these two things are not at all incompatible or we may end up losing both. □

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE FREEMAN
IDEAS ON LIBERTY

The Government as Robin Hood

by E. C. Pasour, Jr.

Robin Hood robbed the rich to give to the poor. Although most people are critical of Robin Hood's actions, relatively few question the legitimacy of governmental coercion to redistribute income. The typical justification for government welfare programs hinges on a highly dubious assumption. It is assumed, at least implicitly, that government has both the motivation and the ability to aid the poor. As shown below, there are a number of reasons to question this assertion.[1] Collectivization of charity is objectionable on ethical grounds and there is mounting evidence that it is harmful to the long-run interests of the poor.

Information and incentive problems that complicate both the administration and analysis of government poverty programs are first discussed. These problems are partly responsible for the fact that the programs have done little to improve the lot of the poor in the United States. Ethical issues are then explored in addressing the question of whether government *should* be involved in poverty relief.

Information and Incentive Problems

Poverty programs assume that decision-makers in the political process, being imbued with supernatural power like Aladdin's magical lamp, have both the knowledge and desire to act in ways that promote the public weal. However, information and incentive problems stymie collective efforts to alleviate poverty.

First, there is the question of *why* poverty exists. In the case of the minimum wage and similar governmental restrictions on competition, poverty results from constraints beyond the control of the individual. In other cases, such as poor job skills that can be traced to dropping out of school, poverty results from choices made by the individual.

Second, there is a difference between short-run and long-run effects of food stamp and other poverty programs. Recipient benefits are highly visible in the short run, but an important part of the costs—the effects of the programs in fostering dependency—occur in the long run. However, whatever the time period, the greater the stigma associated with poverty relief, the greater the effort people will make to be self-reliant and, hence, the smaller will be the poverty problem.

The effectiveness of poverty relief is eroded over time because the programs create perverse incentives that affect both the poor and the non-poor. First, any program that transfers income to the poor decreases the incentives of the poor to provide for themselves. Consequently, donors face what has been termed a "Samaritan's dilemma" (the term is based on the biblical parable of the Good Samaritan).[2] A dilemma arises because the assistance rendered will lead to a decrease in self-reliance and, consequently, an increase in the amount of need. An increased willing-

Dr. Pasour is Professor of Agricultural and Resource Economics at North Carolina State University.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ness on the part of the state (the Samaritan) to offer food stamps, for example, will reduce the incentive to work which, in turn, will increase numbers of people seeking and qualifying for this type of dole.

Moreover, both welfare recipients and decision-makers in the political process have incentives to overstate the need. In transfer programs subject to a means test, there is an incentive to underreport income because the penalty is likely to be quite low. In the school lunch program, for example, individual schools are responsible for monitoring but have no way to verify incomes reported on students' application forms. Moreover, such programs provide an important source of support for members of Congress having large low-income constituencies and a livelihood for officials administering the programs.

Why Poverty Programs Are Ineffective

Let us now consider other reasons why poverty relief may be counterproductive in the long run.

In a competitive system, one's income is earned in the process of producing and marketing goods and services and is determined largely by the individual's contribution to output, as evaluated by consumers. Government transfers inevitably influence individual choice, adversely affecting the production of goods and services. As marginal tax rates increase, leisure is substituted for work, people work more on jobs where they are less productive, and more resources are used to avoid and evade taxes. In short, redistribution reduces productivity and, consequently, the creation of wealth.

Moreover, government relief tends to prolong and intensify the very disease it seeks to cure. Henry Hazlitt draws two lessons from the effects of the dole in ancient Rome.[3] First, once public relief programs are introduced, they almost invariably get out of hand. Second, once this happens, the poor become more numerous and worse off than they were before. The programs become counterproductive not only because of their harmful effects on recipients' self-reliance, but also because the sources of wealth and production on which the poor depended for either doles or jobs are adversely affected.

The nature of the state has not changed since the Roman days of providing bread and circuses for the masses.[4] Historically, the state has been a device for producing affluence for a few at the expense of the many. Poverty programs in a majoritarian democracy are not produced in isolation; instead such programs emerge as part of a package of programs affecting education, agriculture, and other sectors that redistribute income mainly among the middle class. It is naive to expect the political process to implement only programs that assist the destitute while ignoring special interest programs that transfer income mainly among middle- and upper-income groups. Over time, the redistribution destroys wealth and weakens the very means of achieving income security. Thus, there may well be a direct relationship between the size of the transfer sector and the incidence of poverty.[5]

In short, there are practical implementation problems related to the effectiveness of governmental efforts to improve the lot of the poor—even if there were a consensus that people *should* be protected against severe deprivation. During the past forty years in the United States, for example, distribution of income has barely changed despite huge outlays by government ostensibly designed to assist the poor.[6] The relief programs have had virtually no effect on the rate of poverty because almost all of the expenditures tend to promote self-destructive behavior among the poor.[7]

Ethical Considerations

As F. A. Hayek has shown, the concept of a fair distribution of income has little meaning other than the distribution of income as determined by market forces.[8] Certainly there is little evidence that the political process is superior to the market process in this respect. Indeed, it is likely

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

that most citizens agree that a system in which financial rewards are unrelated to one's contribution is *not* fair. This attitude is reflected in the chronic complaints about government handouts to able-bodied people.

Some people contend that government relief is objectionable because redistribution is wrong in principle. The law can be an instrument of equalization only as it takes from some and gives to others. Frederic Bastiat provided an argument against redistribution through state power that continues to be persuasive. In this view, the mission of the law is to protect persons and property, but once the state exceeds this proper limit "you will then be lost in an uncharted territory. . . because fraternity and philanthropy, unlike justice, do not have precise limits. Once started where will you stop?"[9]

Hazlitt's objection to redistribution on ethical grounds is no less clear cut. "It is clearly wrong in principle to allow the government forcibly to seize money from the people who work and to give it unconditionally to other able-bodied people whether they accept work or not."[10] Indeed, Madison and other Founding Fathers of the U.S. Constitution held that justice was obtained in the process of protection of private property and destroyed in the process of forced transfers.[11] In this view, individuals have no legal obligation to help others because this would imply that potential recipients have a right to take what is not theirs, which is inconsistent with the laws of justice.[12] Individuals acting on their own are free to help the less fortunate of course and, indeed, as moral persons "ought" to do so.

Conclusions and Implications

Coercion is inherent in government redistribution. Robin Hood behavior that is objectionable on the part of the individual is no more legitimate on the part of the state. That is, if it is not right for two people acting privately to take the property of a third, neither is it legitimate for them to do so when they form a political majority and invoke the name of government in their behalf.[13]

Any government transfer program is subject to the "law of unintended rewards"—it increases the net value of being in the condition that prompted the transfer.[14] Consequently, responses by both poor and nonpoor people to the perverse incentives inherent in poverty relief programs over time erode the effectiveness of such programs. Moreover, the reduction in productivity and destruction of wealth accompanying government redistribution weaken the very means of achieving financial security.

In short, government acting in the role of Robin Hood is neither ethically defensible nor effective. □

1. Some of the following discussion is adapted from E. C. Pasour, Jr., "Redistribution and Constitutional Political Economy," *Constitutional Political Economy*, Winter 1994, pp. 81–98.
2. J. M. Buchanan, "The Samaritan's Dilemma," pp. 71–85 in Edmund Phelps, ed. *Altruism, Morality, and Economic Theory* (New York: Russell Sage, 1975).
3. Henry Hazlitt, *The Conquest of Poverty* (New Rochelle, N.Y.: Arlington House, 1973), p. 71.
4. Yale Brozen, "Welfare Without the Welfare State," *The Freeman*, December 1966, pp. 40–52.
5. D. R. Lee and R. B. McKenzie, "Helping the Poor Through Governmental Poverty Programs: The Triumph of Rhetoric Over Reality," in J. D. Gwartney and R. E. Wagner, eds., *Public Choice and Constitutional Economics* (Greenwich, Conn.: JAI Press Inc., 1988), p. 92.
6. D. R. Lee and R. B. McKenzie, *Regulating Government: The Positive-Sum Solution* (Lexington, Mass.: D.C. Heath and Co., 1987), p. 169.
7. R. Rector, "Requiem for the War on Poverty: Rethinking Welfare After the L.A. Riots," *Policy Review* 61 (Summer, 1992), pp. 40–46.
8. F. A. Hayek, *Law, Legislation, and Liberty, Vol. 2: The Mirage of Social Justice* (Chicago: The University of Chicago Press, 1976).
9. Frederic Bastiat, *The Law* (Irvington-on-Hudson, N.Y.: The Foundation for Economic Education, 1964), p. 69.
10. Hazlitt, *op. cit.*, p. 116.
11. J. D. Gwartney and R. E. Wagner, "Public Choice and the Constitution: A Madisonian Perspective," Ch. 3 in *Public Choice and Constitutional Economics*, p. 92.
12. *Ibid.*, p. 92.
13. R. E. Wagner, *To Promote the General Welfare: Market Processes vs. Political Transfers* (San Francisco, Cal.: Pacific Research Institute for Public Policy, 1989), p. 206.
14. Charles Murray, *Losing Ground* (New York: Basic Books, 1984).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE FREEMAN
IDEAS ON LIBERTY

Invisible Value

by Jane S. Shaw

My father lives in a home that has been in the family for half a century. It is full of heirlooms collected by an earlier generation—crystal glassware, china, Currier & Ives prints, and antique silverplate. My father is trying to figure out what to do with such things.

A kindhearted person, he would like to give them away, perhaps to a young bride furnishing her first home. It bothers him to think that a newlywed couple is buying an expensive new set of crystal glassware when a perfectly good (although perhaps incomplete) set is sitting unused on a remote kitchen shelf in his home.

But brides in the family are few, and none lives nearby. No one is likely to make a special trip to St. Louis to look at these heirlooms, and the chance of any one bride preferring this particular set of glassware or china, rather than something modern, is not great, anyway.

There may be people near his home who would love the crystal, the Haviland china, or the engraved samovar, but which people are they? Lack of knowledge (on their part and on his) means that good intentions are not going to get these collectibles to the people who really want them.

Readers of these pages know that there is a way to move these items into the hands of those who want them the most. People who specialize in discovering valued antiques can buy them and distribute them to places where would-be brides (or perhaps their mothers or grandmothers) are likely to shop. These people may be called antique brokers or secondhand dealers. (Working a little differently, some are managers of house sales.)

Through markets, these people accomplish what good intentions cannot.

But sometimes owners are reluctant to enter the market. For example, my father would really rather give these items away. The only "payment" he wants is the knowledge that the items are being enjoyed and appreciated. If he sells them through the impersonal market, he will never know who receives them.

Furthermore, by entering the market, he will have to face the fact that the market may evaluate the items differently than he expects. Perhaps the crystal isn't worth much, after all. The set may be badly chipped, out of fashion, too fragmentary, or perhaps not very precious to begin with. Even though my father does not want the heirlooms, and doesn't need the funds they might bring, he has lived with them for many years. Having decided to sell them, he might find it painful to learn that the market doesn't think much of them.

Such considerations explain some of the distaste we all have, at times, for market transactions. But there may be a more fundamental reason as well.

Markets like the antique market require "middlemen." These are people who redistribute goods over space and time. They

Jane Shaw is a Senior Associate of PERC, a research center in Bozeman, Montana.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

have a vital role, but the value they add is often invisible.

In his classic book *Knowledge and Decisions,* Sowell illustrates this role.[1] During the Second World War, markets sprang up in prisoner-of-war camps even though everyone's rations and Red Cross packages were identical. Trade occurred because people's preferences for the items differed and because the contents became more valuable if they were saved until most packages had run out. Some people—middlemen—saved their rations and arranged trades, providing services that others wanted. But they were also resented.

Why? Sowell explains that the prisoners accepted the "physical fallacy." Physically, the cigarettes and food packages were all the same. Trade occurred because the values increased when the items were moved through space or time.

But since the physical qualities of the items did not change, many people thought the value hadn't changed. Prisoners who received what they thought was a pittance for their cigarettes were resentful when the middleman resold them for a higher price. And the people who paid the higher price felt cheated by the middleman who had obtained them so cheaply. Indeed, the failure to understand the role of the middleman helps explain the resentment of people who fulfill this distributive role throughout the world and over centuries.

Fortunately, most of the time we accept the services of middlemen without thinking much about them. We recognize that a new appliance delivered to our door is more valuable than one we must pick up and bring home ourselves, and we are willing to pay the extra. Because the American economy is so efficient, such charges are usually quite small.

But every once in a while, when the role of the middleman looms larger than usual, the "physical fallacy" takes front stage. It can happen when we try to dispose of unwanted heirlooms, if we fail to understand that a samovar gathering dust in the attic is less valuable than the same samovar sitting in the dining room of someone who loves antiques.

It may also loom large when we want to sell our home. Most of us go to a real estate broker, a middleman who has expert knowledge about prices and market conditions. But if we think that this person is merely "showing" the house, something that we can do ourselves, we may try to sell it ourselves and bypass the broker. We avoid a commission but we avoid the benefits of specialized knowledge as well. Similarly, we sometimes avoid literary agents, stockbrokers, and other individuals whose chief service is providing knowledge that brings buyers and sellers together. Doing this, we may be making a mistake.

So, for people reluctant to enter the market, I conclude with some advice. First, remember that free markets are composed of willing buyers and sellers, and a seller can reject any offer. Second, recognize that the market can be a vehicle for generosity. The proceeds from a sale can go to one's favorite charity.

As for the "physical fallacy," the problem is an intellectual one: understanding that distribution and related activities increase value. We get rid of what we value less than others will, and send it along the market chain to someone who values it more.

Moving heirlooms to someone who values them is my father's goal. If he is armed with a willingness to turn down an unsatisfactory offer and if he is ready to give the proceeds to charity, he can accomplish his objective through the market and feel good about the process. □

1. Thomas Sowell, *Knowledge and Decisions* (New York: Basic Books, Inc., 1980), pp. 67–72.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE FREEMAN
IDEAS ON LIBERTY

Liberty and Entrepreneurship

by Brian Lee Crowley

Once upon a time, in ancient Greece, sailors were transporting a cargo of natron, a washing powder, somewhere in the Mediterranean. They stopped to prepare a meal on a fine white sandy beach. Lacking stones on which to support their kettle, they used lumps of natron to hold the kettle over the fire. The heat from the fire fused the natron and the sand, creating glass. For all we know, similar accidents may well have occurred elsewhere without anyone seeing and appreciating what had happened. In this case, however, the accident and an intelligent observer worked together to bring a highly valuable creation to humanity, increasing, not by design but by happy circumstance, our power to achieve our purposes.

The nameless sailor who saw the shiny crust that had formed under the fire and whose mind rushed on to the possibilities implicit in this discovery was an entrepreneur. He had discovered, by accident, a single bit of useful information, one of nature's slumbering secrets. By seizing it, experimenting with it, and then exploiting it, he unknowingly unleashed a series of powerful transformations and innovations. It became possible to have both warmth *and* natural light in buildings. Pots could be glazed. The seeds of mason jars, petri dishes, and the great stained glass masterpieces of Chartres had been planted.

Multiply this ancient example across all the many fields of human activity and we gain a new perspective on the entrepreneur's trade. Part of our human character is an urge to chafe against and try to transcend the limits on our freedom to realize our dreams. We want constantly to expand the areas in which we are not merely subject to mute and uncontrollable forces, but in which we control our actions and remake the world nearer to our heart's desire. When we are successful, we expand the realm of freedom, not only for ourselves, but to all to whom we make our knowledge available.

In this natural history of freedom, the entrepreneur's role is often neglected or overlooked because the contribution, while central, is little understood. Just as the ubiquity of the air we breathe masks its indispensability to life, so too the workaday character of the entrepreneur's contribution passes unremarked.

If it is true that human beings chafe against their limitations, then one way of defining the entrepreneur is as the person who makes experiments in transcending our limits, rather than merely contemplating them, who strives to make the first candle and thus to transcend the darkness. Entrepreneurs are the drones of the knowledge discovery process, the footsoldiers in our never-ending battle to beat back the frontiers of human ignorance.

Dr. Crowley, a Salvatori Fellow at the Heritage Foundation, is a former President of the Atlantic Provinces Economic Council and has taught politics, economics, and philosophy at Dalhousie University. His latest book, The Road to Equity (Impolitic Essays), *was published in the spring by Stoddart in Toronto.*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Knowledge and Power

Knowledge *is* power. When we master nature's secrets, we can put her forces in our service rather than be subject to them. We can build skyscrapers, travel to the moon, or send information around the globe in the space of a heartbeat. And the more we know, the better we are able to outwit governments and other powerful human agencies that want us to live according to their priorities rather than our own. This crucial information-gathering and dissemination function is one of the great contributions of the entrepreneur's work.

I am frequently struck, however, in the academic literature about the entrepreneur, by the degree to which his role is overrationalized, how he is reduced to a logical type or to some supposedly exhaustive inventory of his knowledge and techniques. The entrepreneur defies such easy classifications precisely because his role is played out at the confluence of the two great bodies of human ignorance—ignorance about the world we inhabit and ignorance about ourselves.

We as a culture pride ourselves on an impressive body of knowledge about all these things, and so such emphasis on our ignorance does not sit well with many of us. Yet this may just be precisely the overweening arrogance of the ignorant at work. While we pride ourselves on our knowledge of the physical world, for example, in fact much of it is brought to us by entrepreneurs who happened by chance to witness some accident and understood at least part of the practical significance of what they saw. Here the unpretentious and deeply untheoretical role of the entrepreneur shines through most clearly.

The Greek sailor who discovered glass is merely the earliest recorded example that I know of this principle at work. Many other discoveries that were the fruit of fortuity have changed the course of human life for the better. The telescope, aniline dyes, photography, x-rays, the discovery of the relationship between electricity and magnetism, the curing of rubber, the telephone, the phonograph, welding, steelmaking, and penicillin are only a few choice examples. We knew nothing about the potential of the physical world to supply us with such wonders until someone stumbled upon them and *really* saw what they meant. We could not have sought them directly without knowing what they were, and had we known what they were, we would already have discovered them!

Markets and Incentives

Because we know and understand our world so poorly, we can never have a comprehensive overview of the resources at our disposal. We simply don't know the potential of the world and the people who surround us. In these circumstances, markets and a regime of private property have the curious and unintended effect of multiplying the knowledge available to us. Markets do this by creating an incentive to seek out the opportunities that our unique knowledge of time and place reveals to us, making potential "knowledge entrepreneurs" of us all.

Consider a man I know who makes Scottish highland paraphernalia, things like sporrans, daggers, and bagpipe fittings. One day he was reading the newspaper and his eye happened to fall on a call for tenders from an aircraft manufacturer looking for subcontractors to make aircraft parts. He ran his eye idly over the advertisement. Suddenly, he realized that with the equipment he had for making highland paraphernalia, he had the capacity to make the aircraft parts that were described there. In that brief moment, this entrepreneur's understanding of himself and his capabilities was transformed; he now saw himself not only as a maker of daggers and sporrans, but as an aircraft manufacturing subcontractor. He now employs a number of people in the aircraft parts business, as well as carrying on his traditional activities.

A second example comes from a town near where I live. This town, originally founded on coal mining, had been in decline for decades following the closure of the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

mines. One snowy winter's day, a man was out walking his dog in the town and noticed a patch of ground where the snow had melted and steam was rising. His curiosity was piqued and on investigation he discovered that the mine shafts underneath the town had filled with water that was being heated geothermally. A chance surface leak, together with a man who was not content merely to see, but able to observe, transformed this town. An entire industrial park has been built on the exploitation of this cheap, plentiful, but strictly local and accidental source of energy.

Both of these examples illustrate just how limited is our knowledge of the physical world. More important than this kind of ignorance, however, is our ignorance about that most basic force of the economy: human wants, needs, and desires.

If the economy is, as it should be, about satisfying these wants and needs, the primary question must be: How do we know what these wants and needs *are*?

What people want depends on what they know—about themselves, their resources, and the real choices open to them. To discover what people really want, we must be constantly striving to offer them ever-changing choices, letting them know that these choices exist. Since by its very nature this information can never be complete, we are embarked, in a free economy, on a permanent quest for knowledge. This quest is for knowledge about our fellow humans: about their expectations, their wishes, their desires, and their thoughts. These determine their economic actions, and therefore the value of goods, services, and money.

Joseph Schumpeter wrote about the "creative destruction" inherent in capitalism, the ceaseless questing change that seethes within a market system. That change is driven by the twin forces of the constantly changing nature of human needs and the constant discovery of new knowledge that is one of the chief roles of the entrepreneur. The destructiveness of this process of change, can, of course, be deeply disquieting, so that the transformative work of the entrepreneur is often resisted by political authorities in the name of the preservation of a comfortable status quo.

Yet change which at first looks destructive often brings great and quite unexpected benefits later. No one, not even the entrepreneurs who spark these changes, can foresee all the consequences of what they have unleashed.

Consider in this regard something as simple as the invention of the motorcar. No one foresaw the myriad social transformations that would be wrought by this invention as people began to see and exploit its potential. Certainly its inventors were no better at crystal-ball gazing than anyone else; they believed that the total number of cars in the world would be forever limited by one insurmountable obstacle: the number of members of the working class intelligent enough to be trained as chauffeurs.

Yet the car was nearly to destroy, for example, the horse industry. Almost 20 million horses lived and worked in North America at the turn of the century, creating work for blacksmiths, livery boys, and makers of nails, harnesses, and saddles. Hay and oats were major cash crops. Of all this, almost nothing remains today. Local institutions like the rural school and church fell victim to the school bus and the Sunday drive. City centers shrank, suburbs blossomed, hemlines, drive-ins, and highways went up—barns, travel time, and (arguably) sexual mores came down. Millions of individual ideas, adjustments, desires, and innovations all conspired to work a transformation on the face of society which even the most prescient could not have envisioned. Indeed, many lawmakers early in the century resisted the automobile's rise, fearing the economic and social transformations they dimly sensed would come in its train.

Now we may find Zimbabwean chrome and Malaysian tin, French tires and Dutch chemicals, Taiwanese steel and German robots running on American software being used by Canadian workers under Japanese management to make cars for export to the Far East. Most of the jobs performed in the manufacture of a car didn't even exist at the turn of the century, and now the industry,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

directly or indirectly, employs millions of people in literally every corner of the globe.

A similar transformation occurred as thousands of feudal peasants moved from the countryside to the city during the Industrial Revolution. If authorities had had the power to stop such social transformations, to prevent entrepreneurial experimentation, some immediate suffering might have been prevented and some established interests protected. But we would still be working the land, and few of us would have horses, let alone automobiles.

The Entrepreneur as Subversive

And so the vital link between entrepreneurship and liberty begins to emerge. In this connection, my earlier definition of the entrepreneur—"the person who makes experiments to try to transcend our limitations"—suddenly assumes a decidedly subversive hue, especially in the context of authoritarian or totalitarian political orders.

After all, the obstacles to achieving our goals can be intentionally man-made, and such restrictions will be just as tempting to defeat as natural ones, thus expanding again our potential for free growth. When Chinese students in America wanted to pierce the censorship at home about what was happening at Tiananmen Square, one method they chose was to program a computer systematically to dial telephone numbers in China, enabling them to locate fax machines throughout the land to which information was dispatched. China had permitted fax machines as part of its drive for economic growth, not realizing the subversive potential of the network they had created. But to the eyes of the entrepreneur seeking to transcend his limitations, it was an engraved invitation to fill an unforeseen need.

As the cascading effect of the entrepreneurial impulse sends powerful ideas sweeping across societies, these ideas are incrementally altered, redirected, refined, improved, and expanded. Dirigiste or authoritarian governments—governments that want to dictate outcomes and shape their society rather than facilitate exchanges of goods, services, and information which will be put to unknown and unknowable purposes—will suffer one of two fates. They may suppress changes driven by entrepreneurs, in which case their society will stagnate as they are unable to integrate and use vast quantities of knowledge. Only knowledge known to and approved of by rulers is permitted to be used in such societies, and that body of knowledge is always infinitely more limited than the knowledge possessed by the population as a whole. The pressure for change in such societies will become unbearable as they fall inexorably behind their more entrepreneurial and experimental competitors. Alternatively such regimes may recognize the need for entrepreneurs to promote growth, but will find their own power as rulers incrementally undermined and transferred to those empowered by the innovations. Of course, these two hypothetical examples describe roughly what happened in the former Soviet Union and the People's Republic of China, respectively.

The only regime which cohabits easily with a society in which entrepreneurship is allowed to work its magic of social, cultural, *and* economic transformation is a regime of limited government. Such a government accepts its own citizens' ability and right to make responsible choices about their own lives and how to live them. And, of course, it is necessarily optimistic that the bad side-effects of the entrepreneur's free experimentation and innovation will themselves give rise to corrective experiments and innovations. A society which is congenial to the twin impulses of entrepreneurial creativity and freedom realizes that both emerge from incremental experimentation, a constant seeking of improvement, and not from the imposition of a grand design from above. □

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE FREEMAN
IDEAS ON LIBERTY

Beyond Equality of the Sexes

by Jennifer Roback

Many readers of this journal are well aware of the many flaws in the statistical evidence purporting to prove the existence of substantial discrimination against women. Typically, these limitations of discrimination statistics are pointed out by people such as myself who oppose further government intervention to reduce the earnings gap. But I have repeatedly observed that these arguments are not persuasive to my opponents. In fact, those who disagree with me are often infuriated by the arguments, even while acknowledging their theoretical correctness.

Rather than repeat the statistical debates, I propose to open some slightly different areas for discussion. The emotional intensity of the discussion of the earnings gap between men and women is typically far out of proportion to the magnitude of the problem as measured by the data. What might account for this intensity of feeling? If the problem is really about earnings, or even relative earnings, why do high status women, with high educational attainment and earnings, seem to be the most distressed, not to say embittered, about it? Many women are far from satisfied, despite the gains in women's economic status. Some argue that this dissatisfaction arises because the goal of equality has not been completely achieved. I shall argue that the problem lies in the goal of equality itself, and in the means chosen to attain it.

My claim is that equalizing earnings is a flawed social goal. I do not conclude from this, however, that women ought to retire passively from public life and return docilely to the kitchen. I believe that improving the well-being of women is an important and worthy social objective that requires their full participation in every aspect of American life. What I dispute is that the equalization of earnings, or of any other particular indicator, is an accurate index of women's well-being. In short, making women equal to men in any particular is not equivalent to making women better off.

Why We Are Not Persuaded by Statistics

I have a working hypothesis about why my opponents in the debates are unsympathetic with arguments over the statistics. They feel that I am telling them that there is no discrimination, when they know perfectly well that they have experienced it themselves. We are not having an argument about the statistics at all: we are having an argument about the significance of our experience.

Frequently, the discussion begins to shift away from the "official" evidence at this point. People begin to make claims about relative bargaining power in the employment context, or about relative ability to

Dr. Roback is Associate Professor of Economics at George Mason University.

This essay is adapted from Dr. Roback's article in the Georgetown Law Journal, *vol. 82, no. 1. Reprinted with the permission of the publisher,* © *1993 Georgetown Law Journal & Georgetown University.*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

judge and protect one's own interests, or about the presence of hidden costs assessed on overly assertive women. These claims are inherently more difficult to quantify with any accuracy, even though most people have observed the phenomena under discussion in their own lives. All too often, the conversation breaks down at this point, both because of our lack of professional expertise and because of the intensity of feeling that inevitably surrounds one's personal experience.

I have come to believe that the critical point in the conversation is when we begin, finally, to discuss the aspects of the problem that we know from ordinary personal experience. These are the things we actually care about. It is unfortunate that we sometimes disqualify ourselves from speaking about the very things we feel most strongly about. Our lack of formal training in these matters does not invalidate the reality of our experience and our feelings about that experience.

We who are trained in the social science tradition rely heavily on statistical evidence because we believe it conveniently summarizes information about a wide variety of cases. It seems safer to generalize from information drawn from a large sample than from cases that a single individual could personally observe. We even have a pejorative name for personal evidence: we call it "anecdotal evidence."

But surely one can imagine situations in which the statistical average is of much less interest than the evidence drawn from personal experience. Suppose a parent faces the question of whether to give her child an over-the-counter medication, with a minuscule probability of harm to the child. Suppose further that this child's full-blooded sibling has had an adverse reaction to this medication. Surely, it is not irrational for the mother to refuse to give this medication to her second child. The fact that her first child's bad reaction was statistically unlikely is of no comfort to her. She is certainly not irrational to place an extremely heavy weight on the one observation closest to her.

Consider another person who has used an unconventional therapy to gain relief from a painful and potentially deadly illness. Perhaps all the studies show that this particular therapy is not successful in a statistical sense. Surely this individual is not irrational to give greater weight to his own success than to the experience of strangers summarized in a study. This fortunate individual will be completely committed to the unconventional method of treatment. He is unlikely to be persuaded to abandon his therapy on the basis of statistical generalizations, no matter how sound.

I believe that the discussion of discrimination and segregation is more similar to these examples than we might suppose. People are often discussing their experiences more than the generalizations. And I believe that is proper. A person who has been subjected to a painful and humiliating experience ought not to disregard it. Whether the experience is one of discrimination by an employer or abuse by a government agency, surely it ought to figure prominently in one's subsequent behavior and thinking.

Some of the passion surrounding the interpretation of the "official" evidence arises because those who feel victimized are infuriated by the claim that their experience is statistically unlikely. They feel that their experience is being discounted, and that in some way they and their experience do not matter. Most people do not react very well to being told that they do not matter.

An unsympathetic reader might think that the use of "soft" evidence is confined solely to matters that involve women, but I have observed this phenomenon in totally unrelated matters. For instance, the reaction to public choice theory often bears some relationship to the person's background.

I have noticed that many of my public choice colleagues come from rather modest backgrounds. As I look up and down the corridor at George Mason, and as I recollect the participants at Public Choice Society meetings, I observe a large percentage of people from working class or agricultural backgrounds. It seems that such people are quite comfortable with the notion that

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

elected officials and public administrators are motivated by personal gain. Most of my public choice colleagues do not realistically imagine themselves grasping the levers of power. Stripping the illusion of the "disinterested public servant" is relatively easy for people like myself and my colleagues. We do not have to give up any cherished image of ourselves or people close to us. We do not become squeamish about the exercise of power that we never were going to have in the first place.

Not so my former colleagues and students at Yale. Many members of the Yale community have realistic aspirations for or actual experience of wielding political power. The "disinterested public servant" may be a beloved relative of theirs who devoted a lifetime to doing what he thought best. It becomes easier to justify governmental power for those who can reasonably foresee people like themselves exercising the discretion necessarily involved in public life. It is more costly for people in relatively privileged positions to fully embrace the public choice paradigm and all its implications.

I will not speculate about the "real" evidence that might be motivating those who disagree with me about appropriate policy for dealing with the earnings gap. But I will try to provide some clarity from my own corner of this debate. I will try to reflect on the "real" reasons why I am reluctant to endorse government intervention to improve the status of women.

In some respects, my experience is similar to that of my opponents. I have experienced discrimination. I have experienced sexual harassment. Despite my skepticism about the statistical evidence of discrimination, I am not so wanting in candor as to claim that it does not exist.

But these experiences have not devastated me, nor have they been especially formative in my thinking or behavior. Indeed, I have been upset the most not by anything that has happened to me but by incidents my students have reported to me. I find it much worse to hear from my students that they have been discriminated against in job interviews or sexually harassed. I feel protective of my students and responsible for them. But I am powerless to protect them once they are out of my care. The devastation of feeling powerless is a theme to which I shall return.

It would take me a long time to explain why I am unwilling to empower the government to correct social ills, even very serious and painful ones like discrimination. But I can say why I think the pursuit of equality cannot work. My reasons are real, not statistical or theoretical.

Why Equality Cannot Work

Consider what the realization of equality implies. I can either try to be more like the other person, or I can try to get the other person to be more like me. In my experience, trying to be more like the men I observe focuses my attention outside myself and leads me to judge myself with reference to external rather than internal cues. I turn the volume way down on my own signals of what I like and dislike, what is important to me, what gives me satisfaction, what makes me proud.

It would be foolish to assert that one can or should make these judgments entirely independently of input from other people. But my experience has been that too much input from others leads me far afield from myself. I cannot increase my happiness by judging myself with reference to others because as I look outside myself, I forget myself. In the pursuit of equality, I forget what makes me happy. Ultimately, I become angry and start looking around for someone to blame. But in truth, my discomfort comes not from others but from my inattention to my own needs, wants, and values.

This is the real reason I am persuaded that increasing equality is not the same as increasing anybody's well-being. It is not a theoretical argument for me; it is my actual experience. The most miserable times in my life have been when I was most anxiously mimicking people (men and women alike) I regarded as successful. I have not success-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

fully maximized my own utility by trying to be equal to anyone. My utility is maximized by learning from others while still attending to my own values.

Nowhere does this conflict between equality and utility become more dramatic than in the balancing of children and work. Shall we women try to be as much like men as possible? Shall we arrange our affairs so that the arrival of our children has a minimal impact on our working lives? Or shall we relish the fact that a once-in-a-lifetime, never-to-be-repeated person has come into our world?

Here is the contribution of the late Jonathan R. T. Hughes to my life. I told him about the arrival of my two-year-old adopted son and the impending arrival of my daughter, who was born six months later. Jonathan said to me: "When you get to be my age, you realize that being a parent was the one thing in life that was really worth doing." As he was dying of cancer when he said that to me, I place great weight on his testimony. I recall his words on a daily basis as I make my decisions about time at home and time at work.

The alternative approach to equality would be to try to get the other person to behave as I do. This approach almost inevitably leads to power struggles. I want my husband to do his fair share of the household chores. I want my colleagues to do their fair share of departmental grunt work. It sounds so reasonable when expressed that way. But actually it is not reasonable at all; it is so unreasonable that it is crazy-making. For when I want my husband to do "his half" of household chores, what I really mean is that I want him to do half of everything important to me. But he has his own priorities. He values some things that I do not, and he does not value everything I do. Among the things we both value, he assigns different relative importance to each item.

Now the reality is that I am no more important or valuable than anyone else in this world, including my husband. It is not my business to tell him what he ought to value, and how much. And he, in turn, is no more valuable or important than I am. He has no intrinsic right to control my agenda. So what to do?

This seems like a problem only because the objective was chosen originally to be "equality." Clearly there is no one right or correct way to adjudicate between two people's conflicting values in matters of this kind. We cannot possibly be "equal" because there is no underlying metric that would allow us to compare ourselves in any meaningful way. I am continually astonished by the amount of ill-will and chaos that I can create by trying to force other people to be the way I want them to be.

My way out of the problem is to ignore equality and get on with my real business. My values are mine to choose and mine to pursue. If I am doing too much for others, I am the one who needs to say no to them and yes to myself. Other people in my life can be helpful to me, but it is not their duty to be so. The most effective appeal for help is a simple direct request, not an appeal to equality. A statement like, "Would you be willing to do this for me, it is important to me," has some chance of being heard with sympathy. As a side benefit, I can offer some genuine cooperation and even generosity when I stop keeping score on my partner.

On the other hand, I am more likely to encounter resistance and outright hostility with a statement like, "You owe it to me to do this for me, because I did that for you yesterday, and last week, and the week before that." I have a way of magnifying my own contributions and minimizing the other person's, because I am not really engaged in an accounting project. In fact, I am trying to persuade someone to do something of value to me. People are most uncooperative when I am minimizing their efforts.

Thus, the appeal to equality is not a successful persuasive strategy. Nor does it enhance the pleasure of my interpersonal relationships. On the contrary, trying to be more equal by trying to get the other person to be more like me creates power struggles with all the conflict and unpleasantness they inevitably entail. I can honestly say that the pursuit of "equality" per se has not increased my utility or happiness. Indeed,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

that pursuit has never even allowed me a moment's peace.

This is a clue to the passions surrounding discussions of the earnings gap between the sexes. The objective of equality has frustration built into it, because it is unachievable. It is also a clue to why so many professional women, who have attained high educations, incomes, and status, seem to be the most embittered about the earnings gap. I observe far less anger about women's status among my friends who are full-time mothers or who work part-time or in traditionally female jobs. These women's lives are not without problems. They too have complaints and concerns. But their concerns are different from those that dominate academic discussions of the earnings gap. These friends of mine have interpreted the women's movement as offering them a variety of opportunities from which to choose, not as requiring them to achieve parity or sameness with men.

On the other hand, those of us who have chosen to pursue high-powered careers in male-dominated professions have taken the goal of equality the most seriously. We have modeled our careers on male career paths, our behavior on male behavior. We have attained the rewards of these lives, but also some of the problems.

In particular, we are the ones who actively engage in the interpersonal comparisons and competitiveness that the equality paradigm invites. But we are often confused about the difference between well-being and income. In trying to be equal in the myriad of behaviors necessary for equalizing incomes, we distort our choices and betray our own values. We actually make ourselves worse off in the scramble to become equal to men.

If, on the other hand, we pursue the strategy of trying to get the men in our immediate environment to be more like us, we enter into a power struggle with them. We embark upon a path that can only lead to frustration. For the pursuit of power, once begun, is insatiable. No amount of control will ever be enough. And as we enter into the power struggle with the people who are supposed to be the closest and most important to us, we encounter a very basic human difficulty.

We are in fact powerless over the most important things in our lives. Birth, death, health, ability—we control none of them in any ultimate sense. We can control some of their determinants, but we cannot control the final result. We resist admitting this, because we hate that feeling of powerlessness. Yet powerlessness is the most basic fact about our interpersonal relationships as well.

We cannot control what other people do, think, or feel. Other persons are autonomous acting individuals with goals and values of their own. We can influence others, sometimes decisively. We can choose to surround ourselves with people whose values are most in harmony with our own. But we cannot control the final outcome. Because we need other people in our lives, we necessarily experience a great deal of powerlessness. And we hate that.

When we try to achieve equality by trying to control others, we are refusing to face the basic reality of the limits of our own effectiveness. Powerlessness is not uniquely a women's issue. It is a human issue. In many respects, traditional sex roles make it more difficult for men to embrace their own limitations than for women. Men were supposed to be powerful, invincible, and in control. They were not supposed to admit to their weakness, vulnerability, or neediness. By trying to imitate men in the pursuit of power, we women have actually signed up for one of the most fruitless endeavors imaginable.

Some might object that I have given up on equality too easily. Surely, equality is valuable and even necessary. Of course, in some dimensions, we need equality very much. But trying to achieve equality in inappropriate arenas is actually destructive.

For instance, I frequently spend more time with my four-year-old son than with my one-year-old daughter. I agonize over this, as I suppose most parents would. Is it because he is older, or because he is adopted, or because (heaven forbid) he is a

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

boy? The fact is that his needs are complex and many, while hers are simple and few. It would be foolish for me to take her to speech therapy twice a week because he needs it and she should be treated equally. I am equally committed to meeting their needs, whatever they might be, whenever they might arise. But that is not the same as equalizing any particular contribution to them. Both children would be worse off, that is, both would have their needs met less well, if I tried to equalize in that way.

Likewise, we can be committed to the principle that men and women are equally valuable without insisting that they receive identical incomes. (What madness to suppose that a person's income measures her value!) We can be committed to the principle that men and women alike should be free to choose their occupations, the extent of their family commitments, and the level of their working effort, without insisting that all make the same choices.

Conclusion

These then, are the real reasons why I believe that the pursuit of sexual equality of incomes is a flawed social goal. I have tried to apply the principles that would lead to equal incomes to my own life, and have consistently found the result to be disappointing. I have no reason to believe that the application of these principles on a more general scale, through political processes, would be any more satisfactory. Noting the wide variety of behaviors that would have to be equalized in order to equalize incomes, noting the scope of the intervention required to completely eliminate employer differentiation between men and women, the project seems impossible from the outset.

Moreover, government policies required to equalize incomes would certainly not be agreed to by everyone. When I distort my own values in the name of equality, at least I am the one choosing the alternative values. The values chosen by government policy makers reflect the values of a politically dominant coalition. Certainly some, perhaps most, people will find their relative values distorted by the imposition of politically determined taxes and subsidies on various activities. If I try privately to model my behavior after men, I can at least arrest the process if I find it wanting. The distortions created by government policy would necessarily be more difficult to correct. I have found trying to equalize incomes by equalizing behavior to be self-defeating at the personal level. Extrapolating the project from the personal to the societal can only increase the odds of failure.

And what of the power struggle? Can I convince myself that using governmental power to achieve income parity between men and women will avoid the ugliness that I have consistently observed when people try to control each other? Do I believe that hiding behind the political process makes the effort to control another person any less distasteful to them, or any more ennobling of myself? Am I persuaded that powerlust for the sake of equality can be satisfied any more than powerlust for any other objective?

I am not so persuaded. I do not so believe. I am not so convinced. And these are the real reasons that I oppose further government intervention to equalize the incomes of men and women. □

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

NOTES FROM FEE

The Foundation for Economic Education
Irvington-on-Hudson, New York 10533
Tel. (914) 591-7230
Fax (914) 591-8910

December 1994

Majority Vote

Most economic goods that sustain and enrich our lives can be attained only in cooperation with other people. We engage in economic production, which is a complex process of cooperation by millions of individuals serving each other. Everybody is serving his fellow men and in turn is served by them. Economists call this "division of labor."

Man's division of labor may be organized along two different lines: (1) a system of voluntary cooperation in which individuals exchange goods and services by contract. Stores, factories, shops, and farms are privately owned and operated by businessmen, merchants, industrialists, and farmers; (2) a system of command in which everyone is forced to labor according to a central plan. The stores, factories, shops, and farms are owned or controlled by government officials and agents. There are no businessmen, merchants, industrialists, and farmers; everyone is a civil servant or is forced to follow orders like a civil servant.

Each economic system rests on a distinct ethical order that provides answers to questions such as: Why and when is an economic act called "good" or "bad," "right" or wrong"? What standard of conduct is acceptable and commendable or distasteful and repugnant? What is virtue in economic life?

The command system rests on the ethical formula "from each according to his ability, to each according to his needs," and the political maxim of "the dictatorship of the proletariat." Unfortunately, when "from" and "to" are separated, "from each according to his ability" is likely to shrink until, in the end, it ceases entirely, while "to each according to his needs" is practically unlimited. The discrepancy between demand and supply, therefore, necessitates the presence of economic czars who strictly control both. Similarly, the dictatorship of the proletariat actually means the dictatorship of the agents of the proletariat, who in turn are commanded by the primary agent, the dictator, in person. His ethical vision prevails over all others.

The market order or capitalism finds its answers in the Judeo–Christian code of morality. Private ownership in production is squarely based on the commandment: "Thou shalt not steal." Obviously, there can be no system of private ownership where theft and plunder are commonplace. It also rests on the commandment: "Thou shalt not kill," which includes every form of coercion and violence. And there can be no market order without honesty and integrity. To freely exchange goods and services, the contract parties must not deceive each other. They "must not bear false witness."

These mandates of Judeo–Christian living represent the ideal foundation of a market order. They gradually and incessantly mold, modify, form, and reform human action. Yet, man frequently ignores the ethical mandates, violates them, and even derides them. He likes to use force whenever he feels stronger than his fellowman. In the company of like–minded individuals he may be tempted to engage in theft and plunder. As members of the body politic, many individuals succumb to the temptation, even in democratic societies. Invoking the rights of the majority, they take, catch, and capture, and lay hands on any income and benefit they desire. They indulge in massive larceny and call it "social benefit."

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Together with like–minded voters they form pressure groups while engaging in skillful logrolling, the trading of votes to achieve passage of their projects of larceny. An affirmative vote by 51 percent of their political representatives makes everything legal.

Business and labor are powerful pressure groups that are lobbying for pro–business and pro–labor legislation, which mostly conceals their effort to use legislation to steal from consumers, or from one another. Yet, theft is theft, no matter who perpetrates it and whether it takes from business or labor, from the rich, the poor, or the middle classes.

The advocates of pro–business legislation seem to believe that it is right to steal for the benefit of business since business may be good for the country. They may lobby for certain policies and actions such as protective tariffs and quota restrictions, lucrative loan and spending programs, or restrictive licenses that hamper their competitors and hurt consumers while they line their own pockets.

The advocates of labor legislation are convinced that it is right to steal for labor because some working people may be poor. They may fight for costly "transfer payments" and "fringe benefits" at the expense of employers. They may seek political power and majority control in order to coerce employers to contribute more to their Social Security benefits, unemployment and workman's compensation, disability and retirement pay, and other favors. To the champions of labor legislation, income and wealth taken from employers is "social progress"; to steal by majority vote is "democratic."

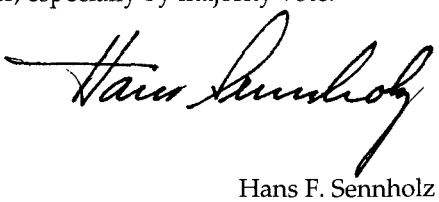
A very popular form of thievery is inflation. It takes property away from millions of unsuspecting individuals and enriches politicians and their favorites by printing and emitting ever–new quantities of money. Only government acting through the central bank (the Federal Reserve System) can inflate and depreciate the currency; it alone can conduct monetary policy and issue legal tender notes. Most of the money it creates by way of printing notes or expanding credit fills the coffers of the U.S. Treasury, which allows legislators and administrators to play the role of humanitarian benefactors. Doling out newly created money, they bask in the role of generous friends and helpers to the voters. All along, the inflation raises goods prices, which forces its victims to tighten their belts. People with fixed incomes and savings, owners of pensions and life insurance must pay for it all through lower levels of living. Many people are made poorer so that political beneficiaries may enjoy their entitlements.

No individual can forever spend more than he takes in and increase his debt *ad infinitum*. Nor can government! Surely, it has the monopolistic power to print paper money and pass legal–tender laws that force the people to accept it. But the power of government is wholly inadequate in giving value to the paper which is bound to depreciate as its quantity multiplies. It will continue to depreciate until, according to the economic principle of costs, its monetary value equals the costs of paper.

Next year the debt of the U.S. Government is likely to surpass the $5 trillion dollar mark. Most of this mountain of debt consists of IOUs for money spent on political benefits; its interest costs, at a mere 5 percent rate, amount to $250 billion which are a powerful temptation to resort to more inflation in the future. The spenders have no intention whatever to repay the debt; they will inflate it away. Acting in political concert, they and their supporters act in a way no conscientious man would think of acting in his personal relations. They would not dream of taking by deception any part of their neighbor's wealth or income; but as members of the body politic, they feel free to take a large share of his income through monetary depreciation.

As individual parents we would not think of seizing property from our neighbors to finance the education of our children; as members of political society we tax and spend so that our children may receive "a good education." We would never steal from widows and orphans; yet as members of the body politic we do not hesitate to levy confiscatory estate and inheritance taxes that force them to surrender most of their wealth to tax collectors. We have no scruple of impoverishing millions of people by law, regulation, or inflation.

Indeed, there are two souls in our breasts, one that seeks to live by Judeo–Christian principles, and one that loves to steal and plunder, especially by majority vote.



Hans F. Sennholz

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

A Christmas Suggestion

The Foundation for Economic Education succeeded in publishing some of the most important books in recent months. Some are offered in our Year–End Bonanza Sale posted in the November *Freeman*. We are adding a few more titles especially for Christmas.

		Regular	Special
1. *The Ten Commandments* by Raphael G. Kazmann		~~$3.95~~	$2.95
2. *The Virtue of Liberty* by Tibor R. Machan	paper	~~$14.95~~	$9.95
	cloth	~~$19.95~~	$14.95
3. *Essentials of Economics* by Faustino Ballvé		~~$9.95~~	$7.95
4. *Private Property and Political Control*		~~$14.95~~	$9.95
5. *Leonard E. Read: Philosopher of Freedom* by Mary Sennholz		~~$12.95~~	$9.95
6. *Liberty: A Path to its Recovery* by F. A. Harper		~~$14.95~~	$9.95
7 *Bankers and Regulators*		~~$14.95~~	$9.95
8. *Economic Freedom and Interventionism* by Ludwig von Mises		~~$14.95~~	$9.95
9. *On Freedom and Free Enterprise: Essays in Honor of Ludwig von Mises*, Mary Sennholz, editor		~~$15.95~~	$14.95
10. *Ludwig von Mises: An Annotated Bibliography* by Bettina Bien Greaves		~~$29.95~~	$19.95

No Christmas gift is in better taste and more enduring than a good book.

Also available:

Handsome silk neckties with the distinctive FEE logo. Choose burgandy or navy.	~~$29.95~~	$19.95
Attractive letter opener with wooden handle featuring a blue enameled FEE logo.	~~$19.95~~	$14.95

If you call or fax your order today, we will have the books to you—free of postage and handling charges—in plenty of time for Christmas.

Telephone: (800) 452–3518; Fax: (914) 591–8910

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

"A tremendous book. . . demolishes decades of liberal, crime-coddling dogma."
—Richard Thompson, Prosecuting Attorney,
Oakland County, Michigan

CRIMINAL JUSTICE? THE LEGAL SYSTEM VERSUS INDIVIDUAL RESPONSIBILITY

Edited by
Robert James Bidinotto

Liberal theories about the causes of crime have virtually destroyed our criminal justice system, and turned our once-great cities into desolate battlefields. In response, FEE is proud to announce a new book—already being hailed by law enforcement experts and crime victims as the definitive modern work on the subject of crime and punishment.

"America's law enforcement officers—and crime victims—owe a debt of gratitude to Mr. Bidinotto for documenting in one book how and why our justice system is broken—and how to fix it."
—James J. Fotis, Executive Director
Law Enforcement Alliance of America

Criminal Justice? is a powerhouse collection of essays by 14 distinguished scholars, justice professionals, and journalists. They explode decades of excuse-making about the "root causes" of criminal behavior—and offer tough, no-nonsense reforms for our lenient criminal justice system.

"Robert Bidinotto has done it. He's managed to assemble a group of scholarly, yet immensely readable, articles that completely demolish a half century of half-baked theories about the causes of and society's response to crime. You're going to find out that the average citizen was right all along and the 'experts' deathly wrong."
—Walter E. Williams
John M. Olin Distinguished Professor of Economics
George Mason University

Edited by award-winning *Reader's Digest* investigative journalist and *Freeman* columnist Robert James Bidinotto, *Criminal Justice?* is one of the most important and unique titles FEE has ever published. Sure to be a classic, it is essential reading for every citizen seeking ways to stop the bloodshed on our streets.

"Persuasive . . . a compelling message."
—Dominic S. Amato, Circuit Judge,
Milwaukee, Wisconsin

320 pages **$19.95 paperbound**
$29.95 clothbound

Spring Round Tables

Reserve these days for our spring 1995 series of Round Table events! We've set up an exciting lineup of speakers for your enlightenment that includes Dr. Jane Orient and Dr. Mark Skousen. Don't miss these stimulating evenings, which begin at 5:00 with a reception and dinner, and then go on to a lively discussion session. The dates are: March 4th, April 1st, and May 6th. Charge: $40 per person per event; certain discounts are available. Call or write: Dr. Barbara Dodsworth, 30 South Broadway, Irvington-on-Hudson, NY 10533; (914) 591-7230.

Coming Seminars at FEE

Undergraduate seminar	**April 6–8**
Austrian Seminar (by invitation)	**July 9–14**
First FEE Summer Seminar	**July 23–28**
Second FEE Summer Seminar	**August 13–18**

Call or write: Dr. Barbara Dodsworth, 30 South Broadway,
Irvington-on-Hudson, NY 10533; (914) 591-7230.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE FREEMAN
IDEAS ON LIBERTY

Libertarianism as Communitarianism

by Daniel B. Klein

The Age of Irreverence

In former decades there was a certain decorum about fundamental values. Even if you did not share the other fellow's sentiments about religion, politics, or family living, you knew to let your differences lie: "Never talk sex, religion, or politics in mixed company."

But in recent years manners have been changing rapidly. Not only are the old values losing their hold, but values of any kind are deemed fair game for the knife and the mallet. Intellectuals apply their classroom dissection to hallowed notions—from theology to constitutional law. P. J. O'Rourke argues the whoredom of Congress, radioman and sometime gubernatorial candidate Howard Stern lampoons politics, television fathers Homer Simpson and Al Bundy make a farce of the loving family, rap singer Ice T smashes conventional thinking about law enforcement, and Hollywood ridicules organized religion. Sensuality and violence, those great solvents of sentimentality, permeate popular culture. Ours is the Age of Irreverence.

It is therefore no surprise that so many alarmed voices now fret about the breakdown of cultural value. One sure marker of this trend is the rise of an intellectual movement known as communitarianism. Led by George Washington University sociologist Amitai Etzioni, the communitarians have gained prominence by means of projects like the quarterly journal *The Responsive Community* and the immensely popular Society for the Advancement of Socio-Economics.

The Communitarians

Although the rapid rise of communitarianism is apparent, the same cannot be said of its fundamental message. Its major, if somewhat insipid, chord is that cultural values are crucial to the proper functioning of society, and that these values are born and bred in healthy community living. A favorite method among communitarians for adumbrating this message is to chide "mainstream" economics for viewing individuals as atomistic agents with preferences that are mysteriously "given."

As for politics, the communitarians are rather squishy. Given their intellectual base in sociology and their emphasis on community norms, it isn't surprising that few communitarians regard capitalism as the unknown ideal. Laissez-faire capitalism is sometimes fingered as a source of our problems. Indeed, government is often held up as the agent of social betterment. Etzioni's *The*

Dr. Klein is Assistant Professor of Economics at the University of California, Irvine.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Spirit of Community: Rights, Responsibilities and the Communitarian Agenda (1993) is replete with specific suggestions for government action and regulation.

But don't write off the communitarians as a bunch of closet statists. On the question of the state, Etzioni, like communitarians in general, runs hot and cold. In a recent issue of *The Public Interest*, he writes:

> [A] strong case can be made that it is precisely the bonding together of community members that enables us to remain independent of the state. The anchoring of individuals in viable families, webs of friendships, communities of faith, and neighborhoods—in short, in communities—best sustains their ability to resist the pressures of the state. The absence of these social foundations opens isolated individuals to totalitarian pressures.

Indeed, Etzioni recognizes the potential compatibility of libertarianism and communitarianism: "One can be as opposed to state intervention and regulation as a die-hard libertarian and still see a great deal of merit in people encouraging one another to do what is right."

Another communitarian, Thomas Spragens, wrote a two-part article, "The Limits of Libertarianism," in *The Responsive Community*. He says that libertarians dogmatically invoke "inalienable rights," often lose sight of how liberty interacts with other human values, evade tough cases like security and national defense, and "fail to conceive the crucial social purpose to be creating and protecting personal autonomy, rather than . . . treating market outcomes as morally sacrosanct." In all this I applaud Spragens.

But Spragens sees libertarianism in false caricature. He sees libertarian policies as indifferent or even inimical to his cherished goals of personal autonomy and the sense of community. Libertarianism grants "its greatest privilege . . . to mere appetite," "the bonfire of the vanities," and the "loosening of social constraints on sexual conduct." It reduces social relations to "the cash nexus," "using each other as stepping stones," and fosters the ethic of "those with the most toys wins." It promotes "robber barons, company towns, [and] corporate domination"—Lions and tigers and bears, oh my!

Whereas Etzioni sees a potential compatibility between libertarianism and communitarianism, Spragens seems to find a necessary incompatibility. I am much more inclined to agree with Etzioni. Nay, I go further: The policy agenda of the libertarians is necessary for achieving the social goals of the communitarians.

Understanding the Communitarian Cycle

The communitarians long for members of society to be raised in stable, functioning communities with constructive goals and civil ways. Individuals raised in such communities would then internalize the values, habits of mind, and ways of interacting. This process gives the individual a moral foundation from which to find his own path in the world. It gives him an enduring sense of purpose, and, in consequence, self-worth. From there he can go on to meet the world in his own way and, like a salmon returning to its spawning waters, contribute to society his own developments and refinements in community ways. The ideal communitarian cycle is for the individual to be reared in healthy communities, to internalize coherent and constructive values, to achieve a responsible personal autonomy, to meet the outer world, and to contribute to the development of current communities that influence others anew.

The process is sensible, but the central question is: How is it achieved? Here the communitarians would do well to learn more free-market economics. I don't mean the arid exercises of graduate-school economics. Rather, I mean Adam Smith and his true intellectual progeny. The communitarians should give more consideration to the Invisible Hand, that is, to the beneficial decentralized processes whereby individuals and families choose voluntarily for themselves.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Liberty and Community

In making a success of the communitarian cycle, it is crucial that our community values and practices be meaningful. The community activities must reach inside our soul and move us in some manner. We must want to be part of the community, and learn gratitude for what it gives to us. To achieve this our communities must exercise our powers and speak to our soul.

But each of us—even as a youngster—has a different set of powers and a different soul. Lumping people together arbitrarily is not going to make for a meaningful community. The meaning must come from the proper mixing of aspirations, attitudes, and talents. The surest way to make this happen is to let people sort themselves into community activities.

Suppose that in a neighborhood there are 16 youngsters who love to make music. But their interests differ. Four are hot on jazz, four love rock and roll, four love Bach, and four love marching music. If we leave them free to follow their bliss they will sort themselves into four separate quartets in which each individual finds community experience highly meaningful and rewarding.

If instead we somehow corralled all 16 into one ensemble, none would find the same spiritual and social edification. Suppose it were decided that the program of the large ensemble would be just jazz. Then twelve of the members would be stuck playing a style that didn't suit their souls, and even the four who love jazz would suffer because their community would be spiritually diluted by the lackluster participation of the others.

Besides the happy coincidence of interest that is achieved when communities are formed by voluntary participation, the voluntary process itself also has a definite value. Besides neatly collating individuals into groups, the voluntary process imbues the groups with a sense of *ours-ness*. This is *our* project. *We* decided to come together to form this group. The bottom-up sense of enterprise gives a personal meaning and dignity to the participants, a meaning that top-down approaches to group formation invariably fail to give.

Although libertarians are not known for their "touchy-feeliness," we can find communitarian themes in both the classical liberals and modern-day intellectuals who favor voluntarism.

The State Against Community

Alexis de Tocqueville made a searching study of how early Americans vigorously participated in all sorts of voluntary associations. Voluntary initiative saw to nearly every form of "public" service—schools, libraries, highways, bridges, fire fighting, crime prevention, hospitals, and so on. "Local freedom," Tocqueville says, "leads a great number of citizens to value the affection of their neighbors and of their kindred, [and] perpetually brings men together and forces them to help one another." As for the state, "the more it stands in the place of associations, the more will individuals, losing the notion of combining together, require its assistance."

Community depends on involvement in institutions that bring lives together. What better device to promote that goal than school choice? Parents would choose the school that fits their interests and values, and schools would attend to those needs; they would evolve from the community for the community, rather than be imposed from without. In *Public and Private High Schools: The Impact of Communities* (1987), sociologists James Coleman and Thomas Hoffer credit the role of community and "social capital" for the exceptional performance of the private Catholic schools. Political scientists John Chubb and Terry Moe, in *Politics, Markets and America's Schools* (1990), give a hard-hitting account of the failure of government schools to create an *esprit des corps* and a personally edifying community experience. Inner-city neighborhoods are most eager for—and most in need of—school choice, to enhance learning as well as a sense of community.

Another area where the mighty state might usefully withdraw is poor relief and

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

social insurance. Historian David Beito has written about America's fraternal societies. During the 1920s their members reportedly amounted to 30 percent of the adult male population, and they were strong among blacks and immigrants. Mutual aid was based on voluntary participation, reciprocity, deservingness, and gratitude. What better way, in Spragens' words "to express compassion for fellow citizens?" The rise of the welfare state was one of the reasons for the system's decline. Charles Murray has discussed how many welfare-state programs undermine meaningful community values and practices.

One potentially rich setting for the development of community activities is the workplace, which enjoys logistic advantages and a hardy stock of social capital. It would make a lot of sense to have schools, social clubs, recreation, charity, and prayer sprout up around the workplace. But such spontaneous associations are blocked by numerous regulations of the firm and its employees. Laws that block the fluid adaptation of voluntary activity from commercial to noncommercial action include anti-discrimination laws, workers' compensation laws, zoning laws, safety regulations, licensing restrictions, union restrictions, Social Security taxes, child labor laws, minimum wage laws, and the corporate tax code. The libertarian favors repeal of all of these obstacles to voluntary association.

Personal Autonomy as a Reason for Liberty

The value of personal autonomy, which Spragens accuses the libertarians of neglecting, was the centerpiece of the libertarian manifesto written by Wilhelm von Humboldt in 1791, *The Limits of State Action*. "Whatever does not spring from a man's free choice . . . does not enter into his being, but still remains alien to his true nature." In *On Liberty*—a rather libertarian document—John Stuart Mill emphasizes personal autonomy and pays high tribute to Humboldt. Thomas Szasz, a passionate and penetrating student of personal autonomy, is a thoroughgoing libertarian.

Community in Modern Society

In today's society it must be recognized that, while the family remains the cradle of identity, community is no longer only about neighborhoods. It is no longer strictly a matter of propinquity, as faraway places become less far with each passing year. Also, community is no longer unified. As Rick Henderson recently wrote in *Reason* magazine, "A person can simultaneously be a Presbyterian, a softball player, a parent, a weekend auto mechanic, and a mystery reader." It may be that with each role comes a distinct circle of companions.

Rather than seeing this as a tragic collapse, we should celebrate it as a great liberation. In her recent book, *In Defense of Modernity: Role Complexity and Individual Autonomy*, Rose Coser tells of the greedy and stultifying side of community, and how modernity frees us from it. Thanks to modern communications and transportation, adults can choose the community that suits them best. We can better find a circle of friends who share our aspirations and appreciate our contributions. Communitarians must keep in mind that airplanes, telephone signals, and computer screens are sometimes the conduits of close community ties. To some extent commerce disposes of community—thank heavens—but to some extent it only recasts it in ways that make it hard to spot.

The expanding wealth of the free economy affords everyone the means of pursuing personal interest amongst a circle of friends and associates. A community that gives one both social bonds and gratification of his individuated aspirations is a luxury that most people of the world simply cannot afford. The laissez-faire economy offers the richest menu of personal growth.

Towards a Libertarian Communitarianism

Is there any fundamental conflict between communitarian goals and libertarian policies? There may be a conflict in one respect: Sometimes it seems that communitarians crave a *common* social experience, an ex-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

perience that bonds the individual not just to *some* community but to *the* community. It is here, perhaps, that we understand why communitarians have balked at the idea of school choice. To libertarians, a plan for a universal experience sounds like a recipe for statist oppression. The only universal social values that ought to be upheld by the state are respect for just laws. That, I would argue, is the best way, the only way, of serving communitarian goals and maintaining common decency in this Age of Irreverence. □

The Officers and Directors of the Atlas Economic Research Foundations of the United States and the United Kingdom
are pleased to announce the winners of the

1994 SIR ANTONY FISHER INTERNATIONAL MEMORIAL AWARDS

1st Prize of $10,000 each to THE SOCIAL AFFAIRS UNIT (London, UK) for *The Loss of Virtue* edited by Digby Anderson; and THE LOCKE INSTITUTE (Fairfax, VA) for *Property Rights and the Limits of Democracy* edited by Charles K. Rowley

2nd Prize of $10,000 to THE INSTITUTE OF ECONOMIC AFFAIRS (London, UK) for *Federalism and Free Trade* by Jean-Luc Migue

3rd Prize of $2,500 each to PACIFIC RESEARCH INSTITUTE (San Francisco, CA) for *Grand Theft and Petit Larceny: Property Rights in America* by Mark Pollot; and INDEPENDENT INSTITUTE (Oakland, CA) for *Out of Work: Unemployment and Government in Twentieth-Century America* by Richard Vedder and Lowell Gallaway

The winning entries were judged to have made the greatest contributions to the understanding of the free economy during the past two years. The prize money goes to the general operating funds of the independent public policy research institutes responsible for the publication of the books.

The Atlas Economic Research Foundation was established in 1981 to aid in the formation and development of independent public policy research institutes that work to enhance understanding of the free economy. For more information, or to make a contribution to the Fisher Award Fund, write the foundation at 4084 University Drive, Suite 103, Fairfax, VA 22030, USA. Phone: 703/934-6969, Fax: 703/352-7530. Atlas USA is a nonprofit, tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE FREEMAN
IDEAS ON LIBERTY

Time to Kill Draft Registration

by Doug Bandow

For more than 20 years volunteer soldiers have protected America. Naturally, there were people who didn't believe that it could be done. In 1967 the Civilian Advisory Panel on Military Manpower Procurement warned against proposals that would leave "the nation placing its faith in its own citizenry to rally to its defense when the national security is threatened." Six years later, however, the United States inaugurated the All-Volunteer Force (AVF) which, despite much early criticism, has produced the best-educated and -trained military in the world today.

In fact, conscription was always a minority part of the American experience. The colonists won their independence without a national draft and only "porous" conscription at the local level through the militia system. The United States defended itself during its second war with Britain, killed untold numbers of Indians, invaded Mexico, seized Cuba and the Philippines from Spain, intervened in an assortment of Latin American countries earlier this century, invaded Grenada and then Panama, and defeated Iraq, all without resorting to the draft. Great Britain, America's first adversary, long maintained its global colonial empire with a volunteer military.

Even large wars have been fought with heavy reliance on volunteers. The bulk of soldiers on both sides during the American Civil War joined voluntarily. In the North, which had an ample population base, conscription probably contributed little to ultimate victory, other than by allowing General Ulysses Grant to carry out his costly attrition campaign against General Robert E. Lee's Army of Northern Virginia. The majority of British soldiers in World War I were volunteers; only after the steady stream of patriotic young recruits could not satisfy the army with sufficient replacements to continue attacking impregnable German trenches did the government resort to "national service." Unfortunately, this step made possible an even worse personnel meat-grinder, termed the "sausage machine," than Grant's 1864 campaign. Most of the extra men generated from conscription were simply dissipated. Complained Prime Minister David Lloyd George years later: "The generals could not be expected to judge the issue dispassionately. Their reckless wastage of the man power so lavishly placed at their disposal also vitiated their judgement."

The United States turned to the draft during this century's great conflagrations, World Wars I and II, and then maintained forced service to prosecute the Cold War. The prospect of a cataclysmic clash between NATO and the Warsaw Pact kept a renewed draft as a possibility even after creation of

Mr. Bandow is a Senior Fellow at the Cato Institute and a Contributing Editor of The Freeman. *He is author of* Human Resources and Defense Manpower, *a textbook for National Defense University. While serving as a Special Assistant to President Reagan he helped prepare the report on draft registration for the President's Military Manpower Task Force.*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the AVF. But today the only scenarios that envision renewed conscription in order to defend America could serve as scripts for J.R.R. Tolkien. Otherwise, a draft would be necessary only if the U.S. decided to play globocop, intervening in local conflicts around the world and attempting to reconstruct failed societies. Few American young people then would likely join the military, risking their lives to arrest foreign warlords, reinstate deposed demagogues, and separate clans, ethnic groups, and tribes that have been killing each other for decades and even centuries. Only conscription could provide cannon fodder for such dubious endeavors.

This is unlikely, however, because average Americans won't allow it. Some analysts actually complain about the public's reluctance to mindlessly send soldiers to their deaths, pining instead for the good ol' days when people didn't mind having their sons die in imperial adventures abroad. Edward Luttwak, for instance, waxes eloquent when discussing the fact that "the populations of the great powers of history were commonly comprised of" large families at a time when "infant mortality rates were also high." Thus, he explains, "the loss of one more youngster in war had a different meaning than it has for today's families." For Mr. Luttwak, 1914, when Europe sent millions of young men streaming off into war, was obviously a very good year. Happily, in the American republic today people value both life and liberty. So when 18 soldiers unnecessarily died in Somalia for no purpose, Americans rightly said "Enough!"

And yet the conscription apparatus—Selective Service and draft registration—remains firmly in place. It is almost as if politicians in Washington think that it is still 1917, 1940, or 1980, the other times in this century that Selective Service began to sign men up for war.

Just look back to 1980, when Jimmy Carter began registering 18-year-old men for a possible draft. The Cold War was raging, NATO confronted a numerically superior Warsaw Pact, the Soviets had invaded Afghanistan, Iran was holding Americans hostage, and U.S. confidence was slipping. Today there is no more Soviet Union, no more bipolar struggle, no more threat of global conflict. Communism is dead, Washington's allies dominate the globe, and America reigns supreme, both economically and militarily. The Pentagon fought the Gulf War with volunteers, foresees no future need for conscripts, and says draft registration is unnecessary. The Selective Service System, it would seem, has become a forlorn anachronism.

However, President Bill Clinton, the avid "national service" advocate who worked so hard to avoid serving in Vietnam, apparently still lives in 1980. He now proclaims his opposition to proposals to end the draft sign-up. It is, he explained to the Speaker of the House, "essential to our national security." And so the federal government continues to gather names for an outdated list in order to acquire surplus soldiers for a fanciful conflict.

The Origins of Registration

When Congress approved conscription for World Wars I and II, it simply registered young men en masse. With the reinstitution of a peacetime draft after World War II, Selective Service initiated an ongoing registration program, a practice continued despite the inauguration of the All-Volunteer Force in 1973. Two years later President Gerald Ford suspended registration, and Selective Service was placed into "deep standby" status. Concern over lagging quality in the AVF led to proposals for renewed registration and conscription; while Congress rejected those proposals, it did begin to expand Selective Service, and the Carter administration developed a plan for post-mobilization registration. Then came the Soviet invasion of Afghanistan, leading President Carter to, among other things, propose the registration of both men and women. After rancorous debate, Congress approved funding to sign up 18-year-old men.

Carter administration officials contended that registration was "a necessary step to

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

preserving or enhancing our national security requirements." Unfortunately for them, one week before the president's announcement Selective Service itself had prepared a report endorsing post-mobilization registration as "preferable" to a peacetime system. Thus, OMB Deputy Director John White acknowledged, the President really was "indicating to the world our resolve." Alas, there is little evidence that the Soviets, let alone anyone else, noticed.

During the 1980 presidential campaign Ronald Reagan, a long-time opponent of conscription, denounced registration for doing "little to enhance our military preparedness," decreasing "our military preparedness, by making people think we have solved our defense problems," and destroying "the very values that our society is committed to defending." However, once elected, President Reagan faced strong Pentagon and Selective Service pressure to preserve the sign-up. The issue reached him for decision after Poland's Soviet-induced crackdown on the labor union Solidarity, causing him to place exaggerated importance on the program's alleged symbolic importance. He officially based his decision to retain registration on its alleged efficacy in procuring emergency manpower, but his arguments, like Carter's, were immediately undercut by the facts, in this case the findings of his own Military Manpower Task Force that peacetime registration would save little time during war and other alternatives were available. So the administration was reduced to contending that the United States would appear weak if it dropped the program after Warsaw's actions.

Once in place, registration proved permanent. Eventually the Soviets withdrew from Afghanistan, Polish voters rebuffed the Communist Party, the Berlin Wall fell, Solidarity's Lech Walesa became president of Poland, the U.S.S.R. collapsed, the Warsaw Pact disbanded, with its former members seeking to join NATO, and Russia's military disintegrated at increasing speed. Still the draft sign-up continued. Last year the House voted to end both Selective Service and registration, but the Senate balked and the agency survived. In December of 1993 the Department of Defense issued a report acknowledging that the program could be dropped with "no effect on military mobilization requirements, little effect on the time it would take to mobilize and no measurable effect on military recruitment." As a result, stated DOD, "suspending peacetime registration could be accomplished with limited risk to national security considering the low probability of the need for conscription." At last the case was closed, or so it would seem.

Presidential Image-Building

But after a few months of thinking it over, President Clinton announced that he intended to keep registration. The likeliest explanation is that Bill Clinton, like Presidents Carter and Reagan before him, was attracted by the sign-up's perceived symbolic value. However, there is no longer a Soviet Union to overawe regarding either Afghanistan or Poland; indeed, there is no nation anywhere that the United States needs to impress about much of anything. Thus, President Clinton presumably saw registration as a means of burnishing his own military reputation. He is roundly disliked by brass and grunt alike; his incompetent and inconsistent foreign policy worries the most insular American. Keeping registration appears, however superficially, to be a "pro-military" decision.

That Clinton's motives must reflect such unstated political concerns is evident from the fact that none of his three official reasons for keeping registration are believable—or, indeed, even make sense. The first is security insurance, the second is an international signal, and the third is promotion of better civil-military relations.

Security Insurance. According to the president: "Maintaining the SSS [Selective Service System] and draft registration provide [sic] a hedge against unforeseen threats and is a relatively low-cost 'insurance policy' against our underestimating the maximum level of threat we expect our Armed

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Forces to face." Acting Selective Service Director G. Huntington Banister has similarly argued that funding his agency "equates to paying a reasonable insurance premium to provide our Nation with a hedge against the unknown."

The notion of security insurance sounds superficially appealing, but in the case of registration we should ask, "Insurance against what?" Virginians have little need of earthquake insurance; farmers who till Nebraska's cornfields needn't purchase hurricane insurance. America today does not need registration.

The sign-up was always intended to quickly generate a large conscript army—à la America's 12 million-man military in World War II—for a protracted conventional war against the Soviet Union and Warsaw Pact centered in Europe. The possibility of that kind of conflict today is about the same as an invasion from Mars. Which means that the premium for registration "insurance" would be better spent elsewhere.

Indeed, what is so different today than even a decade ago is that both sides of the military equation have changed. The global hegemonic threat, the Soviet Union, is gone, replaced by a much weaker Russia, with decaying military and imploding economy. At the same time, America's populous and prosperous allies have spurted ahead, joined by the Central and Eastern European states, which are more closely aligned with Washington than Moscow. Last year NATO outspent Russia by 15 to one; Britain, France, and Germany each spent more than Moscow on the military. It is hard to concoct even the most implausible military scenario requiring the instantaneous creation of a huge conscript army.

Militarily Valueless

Even if generating an immediate supply of plentiful manpower mattered, the draft sign-up is an expensive irrelevancy. Draftees have to be trained as well as conscripted, meaning that it would be five to six months before any significant number reached the battlefield. Thus registration, to the extent that it does anything, only advances by a couple of weeks the production of a few extra soldiers *months after the United States would have gone to war*. As a result, the program would be useless in the smaller conflicts we are likely to see in the future. For instance, the war with Iraq would have ended before any significant number of conscripts would have made it to the battlefield had President Bush restarted the draft when he first sent troops to Kuwait.

Registration isn't even necessary to preserve the option of conscription. All registration does is advance inductions, making soldiers available slightly more quickly months down the line after they finish basic and specialized skill training. But the actual time saved is minimal and of no practical value. Selective Service now says that it could deliver the first draftee 13 days after mobilization but it would take weeks more without advanced registration. In fact, Carter administration officials developed a post-mobilization plan—shelved with no little embarrassment after the President switched course—to deliver the first inductee within 17 days. Only slightly more pessimistic were the Congressional Budget Office in 1978 and Selective Service System in 1979, which both figured that a post-mobilization sign-up would yield the first draftee within a month. Similarly, President Reagan's Military Manpower Task Force concluded that it would take about a month to begin conscripting young men without peacetime registration. And that estimate came in 1982, before a decade's worth of dramatic technological change.

Equally important is that at the start of any war the training camps would be overwhelmed with new recruits awaiting training, reservists needing retraining, members of the Delayed Entry Program, who have signed up to enter the service at a later date but could be inducted immediately in an emergency, and volunteers. The first three categories alone would generate a minimum of 40,000 new soldiers within a month. Even more volunteers are likely. American experience during World Wars I and II demonstrates that any crisis serious enough to

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

warrant consideration of conscription would likely bring forth a flood of recruits. As a result, there would be *no room for draftees for one or two months or even longer,* at which point a post-mobilization system would be delivering an equal stream of conscripts.

Wrong Signal. The President explained that his second reason for not ending registration was that "Terminating the SSS and draft registration now could send the wrong signal to our potential enemies who are watching for signs of U.S. resolve." This argument is not new. Both Presidents Carter and Reagan contended that registration would demonstrate toughness to the Soviets. General David Jones, then chairman of the Joint Chiefs of Staff, termed registration a "visible sign of commitment—to allies, friends, potential enemies" and a "clear manifestation of U.S. will." As overwrought as these arguments were then, in 1980 there was at least an adversarial power to whom a demonstration of resolve had some value, especially after the disastrous Carter years. Yet even then the draft sign-up was not a serious symbolic weapon. Observed Reagan, before he flip-flopped on the issue: "the Soviets can tell the difference between computer lists of inexperienced young men, and new weapons systems, a million-man reserve, and an experienced army."

Today the "resolve" argument is far sillier. Who are, one wonders, the enemies to be cowed by continuing registration? Does President Clinton really believe that North Korea's Kim Jong Il or Serbia's Slobodan Milosevic would be emboldened if the administration stopped forcing 18-year-old American men to fill out a form at the post office? Or that Boris Yeltsin might order the seizure of Latvia, Poland, or even Alaska, to pacify opposition nationalists, if President Clinton dropped registration? Just who is President Clinton hoping to impress?

Civil-Military Relations. Finally, President Clinton argued:

> As fewer and fewer members of our society have direct military experience, it is increasingly important to maintain the link between the All-Volunteer Force and our society at large. The Armed Forces must also know that the general population stands behind them, committed to serve, should the preservation of our national security so require.

What is most striking about this argument is that it comes from a president who worked hard to avoid service. To now force young men to sign up for the draft in order to expand their contact with the military seems a bit hypocritical, to say the least.

Still, the president's concern is valid: politicians who understand the reality of military service are probably less likely to squander the citizens' lives in senseless adventurism. Indeed, the Pentagon has proved itself to be most reluctant to enter into such disastrous civil conflicts as Lebanon and Somalia. It was Defense Secretary Caspar Weinberger who took the more cautious position during his very public debate with Secretary of State George Shultz over the use of military force.

Alas, registration does nothing to, in the president's words, "maintain the link between the All-Volunteer Force and our society at large." Selective Service spokesman Lewis Brodsky argues that the draft sign-up "is virtually the only thing left that the typical American man has to do that's associated with military service." Signing a card when turning 18 does not turn one into a patriot, however, or give one any sense of the rigors of wartime service. Nor does registration indicate that "the general population stands behind" the armed forces, as claimed by the president—after all, Bill Clinton *had registered* before he went off to Oxford University. That obviously did not mean that he stood behind the military. In a conflict that is popular, volunteers will flood forth; in one which many people perceive to be unnecessary, meaningless, and immoral, like Vietnam, registration and conscription will generate social division and hatred of the military. The president would achieve much more in this regard simply by reaffirming the worth of the military as a

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

vocation and encouraging young people to serve.

Private Alternatives

Even if registration had some value, there is a better private alternative, one which would fulfill the president's three stated objectives for peacetime registration. For instance, the administration could create a registration analogue of the All-Volunteer Force—a reserve pool of untrained volunteers ready to accept immediate call-up in the event of a national emergency and mobilization.

How to create such a Reserve Volunteer Force (RVF)? The Pentagon could sign up, say, 100,000 or 150,000 young men (perhaps women too, though they are not presently registered or drafted). In a national emergency, they would be liable to report to the Department of Defense within two weeks, the period within which Selective Service currently promises to deliver the first inductee. Members could be paid a nominal sum, perhaps $100 annually, involved in the military "family" through participation in events organized by the active and reserve forces as well as armed services associations, and praised by the President.

This sort of system would provide better security benefits than peacetime registration, since it would yield a current list of people ready to serve, not an outdated roster of forced participants. The RVF's size could be adjusted depending upon the size of the safety margin desired. A successful voluntary registration would demonstrate genuine patriotic resolve to America's adversaries, whoever they may be. Moreover, involving tens of thousands of young people through an RVF in military activities would enhance civil-military relations, and probably help promote recruiting, too. Most important, a voluntary program would be consistent with America's philosophical heritage, one represented by the creation of the AVF. In any time other than "the most severe national emergency," stated Ronald Reagan in 1980, "a draft or registration destroys the very values that our society is committed to defending." An RVF would demonstrate to the world just how important those principles are to tens of thousands of young Americans.

Conclusion

Registration had little enough security value 15 years ago, when it was first proposed by President Carter; it has none today. Registration arguably had some symbolic worth in the aftermath of the Soviet invasion of Afghanistan, but that justification disappeared years ago. Today conservatives as well as liberals should recognize the difference between inaccurate lists of untrained 18-year-olds and real defense measures.

At a time when the watchword in Washington is reinventing government, dropping registration and dismantling the Selective Service System would be a good place to start. What better way to begin cutting government waste and the deficit than by eliminating this relic of the Cold War, which currently costs $25 million a year? Indeed, if Bill Clinton's rationale for retaining registration is to be believed (a tough sell, given both his public and private records), it is hard to imagine the circumstances under which the United States could abandon the program—the world will, after all, always be dangerous and uncertain. But this supposed insurance offers no serious military value. Even DOD, which rarely finds a military program that it doesn't support, admits that "registration could be suspended with no effect on military mobilization requirements, little effect on the time it would take to mobilize, and no measurable effect on military recruitment."

In the end, peacetime draft registration stands as an embarrassing example of how difficult it is to end a government program, however irrelevant it has become. More important, the sign-up remains a glaring inconsistency with our commitment to raise America's armed forces in a manner consistent with the fundamental freedoms that underlie the founding of our nation and that the military exists to defend. □

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The Real Enemy of Liberty

Recently, my family and I moved. Not far—only about nine blocks. That didn't make it any less of an ordeal, however. It took us five exhausting days and nights, and considerable expense, to truck everything to our new house.

Packing up and moving to a new home is emotionally wrenching and physically grueling. It's especially difficult if you love your old residence, as we did. It was a big house on a tree-lined street. It had lots of dark oak throughout, a charming dining room, and a finished attic that held my library and office. In addition, we had many fine neighbors who organized annual parties and clean-up days for our block. And our mortgage was outrageously low.

So why did we move? The deciding factor was the mounting threat of crime in the neighborhood.

Break-ins, thefts, and vandalism, once rare, were on the rise. A wonderful Victorian place at the end of our block, vacant for some time, had in recent months been systematically stripped of its chandeliers, beveled glass windows, and fireplace mantelpieces. Today it's a boarded-up eyesore. Last summer, a block away, a youth arrested repeatedly for arson set his own apartment house on fire. A few nights before we moved, the young couple across the street scared off a prowler trying to force entry in their home.

All this was eroding neighborhood morale. Attendance at our latest annual block party was poor. Some neighbors had given up and were neglecting their own houses and lawns. Families with children—the bedrock of any community—were either relocating or talking about it.

The trend was unmistakable. So with great regret we bailed out, evicted from a home we loved by the threat of predatory crime.

Viewed statistically, crime is horrific enough. The U.S. Bureau of Justice Statistics reports that there are some 34 million personal and household victimizations annually—a figure that doesn't even include commercial and business crime. Moreover, our streets and communities are far less safe than they used to be. In 1960, only 161 violent crimes were recorded for every 100,000 people. By 1991, there were 758 violent crimes per 100,000 people. In other words, in just 30 years the violent crime rate, per capita, has nearly *quintupled*.

But statistics can't capture many of the other costs criminals impose on society. Consider, for example, the waste, disruption, and pain this single move has inflicted upon my family. Start with the loss of a home we loved and neighbors we treasured. Then there were the costs of locating, purchasing, mortgaging, and renovating a substantially more expensive home in a neighborhood with much higher property taxes—costs that will amount to many tens of thousands of dollars over the years. Add to this the physical demands and economic impact of the move itself; the time lost from work and other pursuits; the hefty price tag of reinstalling utilities at the new home; the outlays for everything from new furnishings to new business cards and stationery and a new kennel for our dogs (kept largely for security—another hidden cost of crime).

If you add such expenses, and many not mentioned, to similar costs borne by millions of other citizens, you'll get a tiny hint of the enormous impact crime is having upon all aspects of American life.

According to the polls, crime is the number one concern of the public. Yet curiously,

---

Mr. Bidinotto is a Staff Writer for Reader's Digest *and a long-time contributor to* The Freeman.

Criminal Justice? The Legal System Versus Individual Responsibility, *edited by Mr. Bidinotto and published by FEE, is available at $29.95 in cloth and $19.95 in paperback. Please see this month's* Notes from FEE *for details.*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the problem has gotten scant attention from most proponents of the free market system. To read libertarian journals, you'd get the impression that the only crime problems are those artificially created by intrusive government regulations and the illegality of drugs. In the absence of such interventions, some argue, crime would largely disappear.

This naive perspective is utterly demolished by the outstanding essays which I have compiled for the newly released FEE volume, *Criminal Justice? The Legal System Versus Individual Responsibility*. People don't commit crimes because stupid laws "forced" them to, any more than because any other aspect of their environment "forced" them to. Criminality is a matter of freely-chosen values; and today's crime wave is the result of decades of assault on our most basic cultural and moral values.

Why have so few inside the free market and libertarian camps come to grips with the crime problem? I think because many of them tacitly maintain a double standard about violations of individual rights.

Free marketeers typically posit government per se as the "enemy" of individual rights and liberty. Of course, an *unlimited* state certainly can be the worst enemy of individual rights, as the bloody history of this century grimly attests. However, in their eagerness to denounce *governmental* violations of rights, these same individuals ignore the very evils that governments were established to eradicate: *individual* violations of rights.

Some years ago I wrote about the plight of Simon Geller, an elderly radio station owner then threatened with cancellation of his FCC broadcast license on the grounds of programming content. This was an unconscionable instance of attempted plunder, and violation of the man's First Amendment rights, by federal officials.

But I have also written extensively about the far more common plunders and predations imposed upon innocent victims by ordinary criminals. Consider that during 1992 alone, there were an estimated 12,211,000 personal thefts and an additional 14,817,000 household thefts.

Were these *actual* violations of property rights by criminals any less real or devastating to their victims, than the *threatened* violation of rights that Simon Geller faced from FCC bureaucrats? Then why treat governmental violations of rights as somehow far worse than private violations of rights?

As our Founders knew, government does have a legitimate role: to respond forcibly against any initiation of force or coercion. But many proponents of laissez faire, habituated to viewing *government* as "the enemy," can't bring themselves to admit that there is, indeed, a place for vigorous government intervention: intervention against *private* violations of individual rights.

To acknowledge the full scope of predatory activity in modern American society, free marketeers would have to concede the need for a tough, ambitious governmental response. Yet to acknowledge *any* justifiable role for government flies in the face of many libertarians' utopian fantasies about "market alternatives to the state."

For too long, the free market argument has ignored the very real value concerns of the public. Americans typically feel irritated and exasperated by politicians; but by contrast, they feel profoundly frightened and threatened by criminals. What are they to think of those who magnify government evils but minimize private ones—who try to convince them that their rights and liberties are far more jeopardized by the local postman than by the neighborhood pedophile?

The public rightly finds this disproportionate and silly. The free market case loses all credibility when its advocates dismiss Americans' very real and immediate fears, while magnifying those that remain more distant and even hypothetical.

Typing these words with battered fingers, surrounded by unopened boxes from an exhausting move, helps put things back in proportion. It was not the government, after all, but crime, that caused me this unwelcome disruption.

All violations of rights are equally evil. And the real enemy of liberty is anyone—public *or* private—who would violate individual rights. □

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE FREEMAN
IDEAS ON LIBERTY

Health-Care Reform: Déjà Vu All Over Again

by Steven Horwitz and Ronald M. Horwitz

Imagine that a major sector of the economy is widely thought to be in crisis: it consistently fails to provide the expected level of service; it leaves people without access to its product; and everyone agrees that it needs to be dramatically reformed. Imagine further that study commissions are formed and retreats are held using the talents of industry, academia, and government to diagnose the problem and provide solutions. Imagine also that virtually all involved are convinced that more government intervention is the answer but they want to avoid centralized, public sector solutions.

Eventually a reform package is passed creating regional quasi-governmental institutions designed to supplement what markets already provide. These are overseen by a weak national board located in Washington whose job is mainly to coordinate the activities of the regional entities. Imagine the reformers claim this new system will capture what's good about both competitive markets and government intervention while avoiding the problems of centralized bureaucracies.

If you guessed this imaginary scenario refers to health-care reform, give yourself only half credit. In fact, this scenario was played out over 80 years ago when the United States reformed its banking industry and created the Federal Reserve System. The Fed, much like the regional alliances in the original Clinton health reform plan, was initially designed as a decentralized system of regional reserve banks that would supplement market-driven institutions, but evolved into a centralized regulatory bureaucracy that replaced the systems it was intended to supplement. The lessons of that history are instructive as Congress continues its debate over health-care reform.

Both the Fed and the Clinton plan grew out of legitimate concerns over the way each industry was operating. In both cases, the commonly accepted view was that the market had failed and government help was needed. However, in both cases government interventions were the contributing causes of many of those failures.

Prior to the enactment of the Federal Reserve Act, the banking industry had regulations which included prohibitions on interstate banking that prevented sophisticated interbank relationships, stiff reserve requirements that put New York City banks at the base of an inverted pyramid of bank reserves, and requirements that banks purchase government bonds to serve as collateral for the currency they issued, leading to seasonal currency shortages. Very few voices pointed out that these regulations, and not inherent market forces, might have

The authors are Eggleston Assistant Professor of Economics at St. Lawrence University in Canton, New York, and Professor of Finance at Oakland University in Rochester, Michigan.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

caused the banking industry problems that were leading to the calls for reform.

Analogously, as critics of the Clinton plan have noted, many of today's health-care problems are themselves the result of existing government intervention. For example, a disproportionate amount of increasing health-care costs are due to government-run Medicare and Medicaid. From 1989 to 1991, the absolute level of personal health-care spending from those two programs rose at an average of 15 percent per year, while private sector spending grew at 9 percent. Further, the differential tax treatment of fringe benefits has led to employer-provided health insurance. Because employees can purchase health insurance through employers using pre-tax dollars, obtaining it outside the workplace has become prohibitively expensive. This partially explains why those who are between jobs and those who are employed but are either part-timers or recent hires tend not to have health insurance. In addition, licensing laws that prevent more doctors from entering the market and restrict the sorts of services that qualified nurses and other physician-substitutes can perform limit the supply of health care and prevent effective price competition.

Like the Clinton health-care plan, the Federal Reserve Act shied away from complete nationalization as a solution. Instead the Act created twelve ostensibly autonomous reserve banks, each responsible for a specific geographic region and all overseen by a Federal Reserve Board in Washington, whose function was limited to coordinating the policies of the district banks. The system's main task was to end seasonal currency shortages by more efficiently managing reserves and supplying currency. If the term had been in the vernacular in those days, such a scheme might have been tagged "managed competition."

More Centralization, More Power

Despite these intentions, the Fed quickly evolved into a more centralized institution, with increased power in the Federal Reserve Board (later the Board of Governors and the Federal Open Market Committee) in Washington. There are two explanations for this shift and increase in power. First, if the regional banks could not cooperate and generate consistent policies, the Board's job was to adjudicate such disputes and thus, de facto, create policy. It was only a matter of time before the Board itself gained de jure policy-making power by creating "appropriate" policies in the first place and forcing the district banks to fall into line.

Second, Federal Reserve Board appointees were, as they are today, political. The members of the Board then, and the Board of Governors today, owe their positions to the political process and, as much research indicates, are likely to conduct policies that benefit that process.

The Fed's acquisition of the power to deal in the open market (as part of the Banking Act of 1935) was an inevitable result of the Federal Reserve Board's assuming powers that went beyond mere adjudication; once it tried to centrally direct policy, it needed the tools to do so. However, this new power brought further problems, such as instability in the money supply (and prices and output), leading in turn to more crises and more cries for increased and centralized power. So, what was originally supposed to assist a competitive market that didn't work well, eventually wound up replacing large sections of the market. This is instructive as we contemplate the possible long-run results of health-care reform.

Rather than a Canadian-style single payer or a British-style nationalized system, the Clinton plan (like the original Fed) was based on regional health alliances that were intended to lower costs by acting as group buyers of health insurance. Either through employers or through the alliances directly, all Americans would have had health insurance that included a standard package of minimum benefits. Overseeing all of this was to have been a National Health Board (politically appointed) which would have been responsible for restraining costs across the alliances and ensuring that the system as a whole did not exceed a national health-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

care spending limit. Supporters of the plan claim it was not a centralized bureaucracy, while critics claimed it was.

The system was not intended to be centrally run. However, the issue is not intentions, but the likely *unintended consequences* of adopting such a reform plan. As with the Fed, the creators' intentions are likely to be markedly different from what eventually emerges in practice. With the power to set premiums and determine benefit packages, a National Health Board would likely be the focal point of disagreement and debate among major health-care players, including the various alliances. As was the case with the original Federal Reserve Board, attempting to coordinate these diverse demands is likely to quickly turn into pre-emptory policy-making with the other players following the National Health Board's lead.

It is also likely that any national health board will become highly politicized, especially with statutory limits on total expenditures. Imagine the opportunities for political dealing if the FOMC had strict limits on how much base money it could create, yet had discretionary control over which bond dealers it would buy from. The only thing worse than rationing is politicized rationing and, given the historical evidence for the eventual centralization of power in a political board and limits on spending, that seems a probable outcome.

Despite claims to the contrary, the Clinton health-care reform plan, if enacted as first presented, would have likely become another centralized and politicized bureaucracy. Like the Fed, we could have expected recurring "crises" leading to further calls for the National Health Board to have more power, and hence even more crises and a further centralization of power. Something close to nationalization could eventually result. One need only compare the Fed's powers today with those stipulated in the original Act for a perfect historical parallel.

Although the disappearance of purchasing alliances in more recent proposals is an encouraging development, most of the bills under consideration as Congress adjourned included a provision for setting health plan standards at the national level and called for a National Health Board to determine the scope and duration of services and cost-sharing details. Even if the stipulated powers of such a board are weak, as was the case in the early years of the Fed, it would not be surprising if it acquired greater powers in the chaotic environment that would follow its creation. As a result, Congress would still be wise to remember the experiences of the Federal Reserve System.

As history demonstrates, the banking crises before so-called reforms pale in comparison to those that followed it: the bank failures of the Great Depression, the inflation of the 1970s and '80s, and the savings-and-loan crisis and commercial bank failures of the mid and late '80s. All of these can in some way be attributed to those very "reforms" and the increased government intervention they entailed. The evidence suggests strongly that (to borrow an appropriate metaphor) an interventionist cure is often worse than the disease. We had best heed the lessons of history if we are to avoid an uncomfortable feeling of déjà vu after "reforming" the health-care delivery system. □

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE FREEMAN
IDEAS ON LIBERTY

Origins of Federal Control Over Education

by Charlotte Twight

Extensive federal control over elementary, secondary, and post-secondary education has long been a reality in the United States. The key federal statutes that gave rise to that control were the National Defense Education Act of 1958 (NDEA) and the Elementary and Secondary Education Act of 1965 (ESEA). Although these two statutes form the bedrock of federal education control, their passage involved extensive misrepresentation of the bills' substance and the politico-economic circumstances ostensibly justifying the measures. Here as elsewhere in the twentieth-century expansion of U.S. government control over American citizens, key myths were actively cultivated by government officials to secure passage of legislation intended to serve as the foundation for future federal control.

The National Defense Education Act of 1958

The National Defense Education Act authorized unprecedented federal involvement in providing scholarships and loans to undergraduate and graduate students, in addition to funding state efforts to strengthen math, science, and foreign language courses in public schools. There had been earlier measures such as the Morrill Acts of 1862 and 1890, granting first land and later money to the states for colleges emphasizing agriculture and the mechanical arts. The 1917 Smith-Hughes Act supported vocational education, and the first G.I. Bill (1944) authorized direct payments to veterans for educational purposes. In 1950 federal "impacted area aid" legislation authorized payments to school districts for property tax revenues lost due to the presence of federal facilities. But none of these earlier measures approached the NDEA's involvement in the public school curriculum.

The usual explanation of the NDEA is that it was a logical, necessary, and perhaps inevitable reaction to the Soviet Union's successful launching of Sputnik I (the first earth-orbiting satellite) on October 4, 1957, followed shortly thereafter by a dog-carrying Sputnik II. These events were represented to be of crisis proportions, demanding substantive U.S. response.

But the crisis was a sham, sold to the American public by politicians who knew it was a sham. Many legislators for years had wanted to expand federal control over education, and they saw in Sputnik an opportunity to package such expanded federal controls as a response to a "national defense crisis."[1] Members of Congress openly discussed the purported national emergency as a "better sales argument" to secure passage of the legislation. Shortly after the bill's

Charlotte Twight is Professor of Economics and Chair of the Department of Economics at Boise State University.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

passage, Representative Frank Thompson referred to the NDEA as "a bill having a gimmick in it, namely the tie to the national defense."[2]

Witness after expert witness acknowledged to congressional committees that there was no crisis—that U.S. military capabilities exceeded those of the Soviet Union. Even experts who began their testimony with claims of crisis and Soviet military superiority recanted later in their testimony. For instance, General James H. Doolittle unequivocally agreed that "we are behind Russia in military preparation," concluding that "for us to catch up . . . we must overhaul our own educational system." Later, however, he said "I will have to qualify that by saying that at the present time I believe that we are stronger, militarily, than Russia." Likewise, after testifying extensively about the "present emergency" and Russian scientific superiority, Dr. Edward Teller stated that "we are ahead of the Russians in most scientific fields right now."

Some administration witnesses such as Neil McElroy, Secretary of Defense, and Donald Quarles, Deputy Secretary of Defense, flatly denied that the Russian missile development program was ahead of the U.S. program. Even HEW's Lawrence Derthick, U.S. Commissioner of Education, who urged Congress to pass the NDEA to strengthen U.S. education for reasons of "national security," acknowledged that "as of this moment, we are not in grave danger" although such danger might materialize in 10 or 15 years.

Members of Congress well understood this testimony. For instance, a key Senate committee report stated that "the committee was informed that we are now probably ahead of the Russians in many scientific fields. . . ." Nonetheless, key congressional leaders, including Senator Lyndon Johnson, Representative George McGovern, and Senator Lister Hill, repeatedly raised the specter of Soviet supremacy as the essential rationale for the NDEA. Senator Hill claimed that "for the first time in the life of our Nation we are all looking down the cannon's mouth." In the end, with not a hint of the extensive testimony to the contrary, the conference committee report declared the "security of the Nation," the "present emergency," and the "defense of this nation" as the justifications for the NDEA.

Similar misrepresentation surrounded the issue of federal control of education. Given widespread public fear of expanding federal authority, legislators included a provision in the NDEA expressly prohibiting federal control of education. Designed to reassure the public, that provision meant something quite different to its authors than to the general public. To federal officials, federal "control" was avoided so long as states and localities were allowed to determine for themselves exactly how they would satisfy objectives that were established by the central government. As HEW's Lawrence Derthick testified, "we identify a critical national need. . . . Now . . . you make a plan as to how you are going to meet this need in your State, and how you are going to administer this plan." Representative Udall found the NDEA "unassailable on the point of Federal control" because "you are leaving the details of these plans, with general guidelines laid down, in State and local hands."

Such are the origins of the "National Defense" Education Act of 1958. Nonetheless, despite senators' perceptions of the NDEA's "unbelievable remoteness from national defense considerations" and congressional recognition that the national defense rationale was only a "sales argument," the Sputnik myth secured passage of the NDEA. As Senator Goldwater foresaw, the NDEA proved to be the proverbial "camel's nose" of the central government in the education tent.

The Elementary and Secondary Education Act of 1965

A similar pattern is evident in events surrounding passage of the Elementary and Secondary Education Act. Between 1959

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

and 1964, proposals for expanded federal education legislation had become mired in the politics of desegregation. Only after the 1964 Civil Rights Act separated the two issues by prohibiting distribution of federal funds to institutions practicing racial discrimination was that barrier to future education bills removed. Political victories by Democrats in the 1964 presidential and congressional elections further smoothed the way for passage of the ESEA in 1965. However, despite favorable political circumstances, legislators again lied to the public to gain passage of the education bill.

This time the education bill was portrayed as an essential component of President Lyndon Johnson's "war on poverty." Johnson recommended *"a major program of assistance to public elementary and secondary schools serving children of low-income families."* The bill itself authorized federal financial assistance to local educational agencies "for the education of children of low-income families." Again and again, legislators portrayed the bill's objective as helping to enhance the educational opportunities of low-income children.

But the supposed benefits to low-income children were only the window-dressing, a sales argument analogous to the defense rhetoric that facilitated passage of the NDEA. In fact the ESEA was deliberately drawn to disproportionately benefit the wealthy, not the poor. Under its grant formula, each county would receive federal monies equal, initially, to 50 percent of the average per-pupil educational outlays in the state multiplied by the number of school-aged children of families in the county with incomes of less than $2,000. Since districts with as few as 10 low-income children (as well as counties with only 100 low-income children) would qualify for federal grants, the formula guaranteed that more than 90 percent of all school districts would receive assistance under this "antipoverty" measure.

The formula's reliance on state per-pupil expenditures assured disproportionately large federal benefits to wealthier counties. Calling it an "absurd distribution of funds," the House minority report showed that the formula would result in almost twice as much money being given to the ten wealthiest counties in the U.S. ($8,918,087) as to the ten poorest counties in the nation ($4,507,149). Moreover, once the funds were distributed, they could be spent to benefit rich and poor children alike. Senator Winston Prouty expressed it clearly, stating that "the aid which we render the school districts that qualify, will be available to all schools in that particular district and will not be primarily for those poverty-stricken families."

The chosen strategy was to target the ESEA's education expenditures so as to make them politically irresistible, creating entitlements county by county. To facilitate the ESEA's passage, the executive branch prepared (and the Senate Labor and Public Welfare Committee printed and distributed) charts showing on a county-by-county basis first-year federal funds that would be distributed under the proposed law. Combining county-level entitlements disproportionately benefiting the wealthy with the rhetoric of helping the poor proved politically unstoppable. As one witness put it, "Who can oppose war on poverty? Who can refuse to assist low-income families?"

Fear of government control remained a politically potent issue, as it had been with the NDEA. As in 1958, government officials again tried to redefine the meaning of "control" to assuage these fears. When challenged regarding federal control of education, administration witnesses insisted that government involvement did not amount to "control" unless it entailed interference in the actual administration of a program. According to their definition, if federal rules specified the overall direction of educational policy without involving the federal government in the actual implementation of that policy, we should not call it "control."

Thus in his written testimony Francis Keppel, Commissioner of Education, stated that the federal role in program administration under the ESEA would be "restricted to," *inter alia*, "preparing regulations establishing the *basic criteria* to be applied by

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

State educational agencies in approving local plans. . . ." Disavowing federal "control" under the ESEA, Keppel defined control as "appointment of teachers, selection of what is taught, decision on when buildings are going to be put up, the nature of equipment, and the like." Representative Charles Goodell expressed dissatisfaction with such linguistic maneuvering, stating:

> I have read and reread in every single education measure . . . this nice, high-sounding, sweet little paragraph that there will be no control. Then you go right into the center of this bill where the power is, and it is right on page 8. The Commissioner sets the basic criteria for every State plan. The State gets the money only if they have a plan that meets the Commissioner's basic criteria. . . . You can say it is not control, but they are telling them exactly how to go about it.

The "sweet little paragraph" indeed was included in the ESEA, with HEW Secretary Anthony Celebrezze and Commissioner Keppel insisting throughout that the federal powers established by the legislation represented only federally established "objectives" or federal "influence"—not "control"—over educational outcomes in the United States.

Another obstacle to passage of the ESEA was the church-state issue, centering on the First Amendment's requirement that "Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof. . . ." In the past, the education lobby had been split by the common understanding that the First Amendment proscribed federal aid to parochial schools. Yet the text of the ESEA mandated that federal monies and programs be accessible to parochial school students, specifically bypassing state constitutional restrictions on state aid to parochial schools.

Again, the resolution of this issue did not entail open public debate of the relevant issues. Instead, the President enlisted Commissioner of Education Keppel to work out an *ex ante* accord between the key interest groups to avoid serious congressional debate of the issue. As Representative John Brademas explained:

> [T]he White House believed that, if an agreement could be worked out among the groups that had, in the past, exerted such strong crosscutting pressures on Congress the way would be cleared for legislative acceptance of whatever compromise would be developed outside of Congress.[3]

Through discussion at a series of private dinners, the interest groups reached an off-the-record accord on the church-state issue, resolving to present a united front asserting that the "constitutional question" had been overcome. They agreed to put forth a "child-benefit" theory, asserting that no constitutional problem existed if the federal funds were intended for the benefit of the child rather than for the benefit of the parochial school which the child attended. Thus, at the beginning rather than at the end of congressional hearings on the ESEA, Senator Jacob Javits stated that the church-state issue "appears to be resolved." The off-the-record agreement that such expenditures would not be regarded as federal support of a religious institution precluded full and public congressional consideration of the serious constitutional questions involved.

The ESEA was rushed through Congress in less than three months. The strategy of the bill's supporters was to avoid lengthy congressional consideration of the bill and to avoid divergent House and Senate bills that might require deliberation by a conference committee. Even senators who supported the bill with reservations signed a minority report protesting executive pressure to pass the ESEA without meaningful Senate participation:

> This important and complex piece of legislation—on which our committee [on Labor and Public Welfare] heard more than 90 witnesses whose testimony filled six volumes and more than 3,200 pages —is to pass this body without a dot or comma changed; this is by fiat from the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

> Chief Executive. . . . Privately, members of the majority and officials of the executive branch have been apologetic for this new effort to destroy the role of the Senate in the national legislative process. Yet they are powerless to change the rules laid down from above.

Why the rush? Why the deception? Why the private dinners and the off-the-record accord? As noted by Philip Meranto, public opinion polls show that the "passage of the Education Act of 1965 was not the result of increased public support for federal aid," adding that "if the 1964 and 1965 polls were at all reflective of public attitudes, less than half of the adult population approved of the action taken." A Gallup poll conducted January 28-February 2, 1965, found that only 49 percent agreed that the federal government should pay more of the costs of supporting public schools.[4]

Conclusion

Intentional misrepresentation by government officials undergirded passage of both the National Defense Education Act of 1958 and the Elementary and Secondary Education Act of 1965. With the NDEA, the bill's ostensible justification was the "Sputnik crisis"; with the ESEA, it was the "war on poverty." But those fanning public apprehension about the Sputnik crisis did not believe it was a crisis, just as those promoting the ESEA as an antipoverty measure understood that it would disproportionately benefit the wealthy. It matters little how many come to understand the truth now: the bills became law; they altered U.S. institutions; and in due time they ineradicably changed public perceptions of the accepted (and hence acceptable) role of government. □

1. Regarding the complex reasons for President Dwight Eisenhower's support of the NDEA, see Robert A. Divine, *The Sputnik Challenge* (New York: Oxford University Press, 1993), pp. 4–5, 31, 35–39, 41.

2. Quotations of public officials here and elsewhere in this article are from contemporaneous public documents such as the relevant House and Senate hearings and committee reports. For details, see Charlotte Twight, "Federal Control Over Education: Crisis, Deception, and Institutional Change" (1994).

3. John Brademas, *The Politics of Education: Conflict and Consensus on Capitol Hill* (Norman, Okla.: University of Oklahoma Press, 1987), p. 16.

4. Philip Meranto, *The Politics of Federal Aid to Education in 1965: A Study in Political Innovation* (Syracuse, N.Y.: Syracuse University Press, 1967), pp. 42–50, at p. 46; Dr. George H. Gallup, *The Gallup Poll: Public Opinion 1935-1971*, Vol. 3 (New York: Random House, 1972), p. 1928.

Passing Laws: Is Governing That Simple?

by Eric-Charles Banfield

Ask Americans what "governing" means, and you'll evoke a wide variety of answers. A common response is that governing should mean protecting American liberty and property. But administration officials and Congressmen in Washington, D.C., have a different idea. To them, governing simply means passing legislation. The more legislation, the better they're doing their job. It's a simplistic view. But politicians go to great lengths to defend it.

It doesn't matter, it seems, what the legislation is. It doesn't matter that none of the politicians will ever read the entire piece of legislation they pass. Nor that, as is often

Mr. Banfield is owner of Banfield Analytical Services in Westmont, Illinois, specializing in writing, speaking, and analysis of financial, economic, and public-policy issues. *Copyright © 1994 by Banfield Analytical Services.*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the case, the law isn't even completely written yet. It doesn't matter that there are so many volumes of legislation that every single American is guilty of ignorance of the law (no excuse, of course).

And it doesn't matter whether or not the legislation passed is really good for all American taxpayers and consumers. Indeed, in most cases, the legislation harms most citizens, through higher taxes and mandated costs, while lavishing huge benefits upon a particular group or special interest.

None of that matters. To many politicians, any legislation that gets passed is good.

That concept—that simply passing a law is good governing—is familiar to many folks. For example, every year or so, by October 1, Congress must approve a new budget for the government's fiscal year. Also, by year-end the government has already reached its legal debt limit; Congress must also approve an increase in that limit. That way it can borrow more money to finance its ever-increasing spending.

But some Congressmen don't like the details of the budget, or they propose raising the debt limit to a different level. They squabble over the particulars of the bill, delaying its passage. Amid the gridlock, a chorus of politicians from all sides cries that "We must come to a budget agreement so the American people understand that WE CAN GOVERN." Politicians grandstand that failing to agree to a budget or to pass some law is a "failure" of government. "Americans will lose faith in our ability to govern" is a common refrain.

No Government?

Politicians defend that idea by enhancing the drama with scare tactics. For example, without a budget, the government cannot operate. Politicians warn that if the government cannot function, "vital services that protect Americans" will be shut down. Some politicians even try to scare the public by telling the media that things like school milk programs or children's vaccines or "the safety of our streets" will be threatened.

Blurring the distinction between the government sector and the market sector, politicians warn that "The country will be at a standstill." That's not true, of course. The rest of the country will continue operating just fine. But the drama reinforces the politicians' point: they must keep passing more legislation, or else cities will crumble and America will fall.

Simply, Congress believes that the more legislation it passes, the better it is doing for "America." That's their job, isn't it?

The Other Option

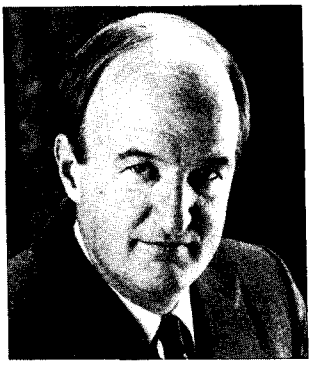
But surely things aren't that simple. Many citizens and voters are coming to realize that government has passed far too many pieces of legislation. Americans could dearly stand a comprehensive repeal of most of the legislation and regulations passed in the last 30 or 60 years. Indeed, many believe the country would operate a lot better without all that legislation, and all the regulations that flow from it. A few basic laws against murder, theft, assault, rape, arson, and fraud are sufficient to protect American lives and property.

To end that "legislating-is-governing" mentality, perhaps we can persuade Congressmen to consider another option. Maybe good governing—at least occasionally—means passing *no* legislation. Or, better, a wise legislator might try considering the advice of many economists and policy analysts. Try correcting the problem at hand by *repealing existing regulations* that caused it. It's always better to remove existing restraints than add new ones.

Politicians could gain points with voters by pointing out how many new laws they *killed* by arguing *against* new legislation. Facing voters back in the home district, the elected official could pitch: "I saved consumers in my district $100 million dollars by repealing twelve pieces of onerous and harmful legislation. I prevented the silent but deadly destruction of thousands of jobs by repealing a dozen harmful regulations."

The crowd cheers. Our lives are simpler. And governing is good again. □

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED



Baseball Strikes Out: Who's to Blame?

"It is quite amazing that America's pastime is exempt from the rules of supply and demand. . .The time has come for Washington to act. Remove baseball's antitrust exemption now."

—*Business Week* editorial
September 26, 1994

According to *Business Week*, the reason the World Series was canceled in 1994 is simple: baseball is a government sanctioned-cartel. Remove baseball's immunity from market forces and the Cleveland Indians might well be playing in their first World Series since 1954. Sounds convincing, but why blame only the owners? The players' union is exempt from antitrust, too.

Misconceiving the Market

Will imposing the Sherman, Clayton, and other antitrust acts on baseball's owners and players resolve their conflicts? I doubt it. In fact, Congress should move in the opposite direction. It should exempt all businesses, large and small, from antitrust law. During the Reagan-Bush administrations, antitrust enforcement was minimal. Under the Clinton administration, the antitrust division of the Justice Department is flexing its muscle again. It's an unfortunate new trend.

Economist D. T. Armentano, who has made a lifetime study of antitrust, demonstrates that government intervention in this area is counterproductive. He concludes, "the entire antitrust system—allegedly created to protect competition and increase consumer welfare—has worked, instead, to lessen business competition and lessen the efficiency and productivity associated with the free-market process."[1]

Apologists for antitrust assume that most mergers, tying agreements, price collusion, and other forms of "monopolistic" behavior reduce social welfare. This view is based on a misconception of the marketplace. They fail to understand that the market consists of both competitive and cooperative processes. In sports, for example, teams compete for players, but they also must cooperate in scheduling games. Only the voluntary decisions of all market players can determine the degree of competition versus cooperation that should exist in business.

Market Failure?

In this case, the antitrust issue is actually a red herring. The strike is essentially a private dispute between two headstrong duopolists, neither of whom wants to back down from its position. It is a classic case of temporary market disequilibrium.

Of the two organizations, I believe that

Mark Skousen is editor of Forecasts & Strategies, *a monthly investment newsletter with a great lifetime batting average. His newsletter and his latest book,* The Investor's Bible: Mark Skousen's Principles of Investment, *are available by calling Phillips Publishing Inc. at (800) 777-5005.*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the players' union is making the more serious blunder and has the most to lose.

Consider the facts. Both the league owners and players have done extremely well over the past thirty years, as evidenced by attendance figures, revenues, franchise prices, and players' salaries, fringe benefits, and endorsements. But the players have clearly advanced the most in the past twenty years, especially after free agency and arbitration were adopted in the major leagues. In the past decade, players' salaries have almost quadrupled to an average $1.2 million, not including outside endorsements and other forms of compensation. In sum, players' salaries and fringe benefits have skyrocketed since the 1960s. Criticism of high player salaries is unfounded but, by the same token, today's players need to be more appreciative of what baseball has done for them recently.

In my judgment, the ballplayers are foolishly fighting the owners' proposed revenue sharing and salary cap. Such measures may indeed trim the growth in salaries and restrict free agency and arbitration, but it won't keep salaries from advancing, especially in expectation of higher television revenues. It certainly hasn't reduced the average compensation to basketball and football players.

Players' Union Gone Awry

Meanwhile, the players have sullied their reputations far more than the owners. After all, it was they—not the owners—who called the strike, in the middle of a season that promised to be the most exciting finish in baseball history: three players knocking on Roger Maris's homerun record, two players close to winning the Triple Crown, a hitter breaking .400, and the Cleveland Indians possibly winning the pennant. I doubt if the fans will be very forgiving in the future.

The Yankee great Mickey Mantle says that he does not begrudge today's players their high salaries, and neither do I. The Mick states: "They deserve what they can get. For so many years, players were like second-class citizens, forced to accept whatever the owner or general manager wanted to pay them." But now, according to Mantle, "it's probably gone too far in the other direction. . . .I didn't like the idea of baseball players having a union, although I guess it's necessary for some people. But I was opposed to walkouts and strikes and all the things a union needs to get what it wants. I just wanted to play baseball."[2]

The Future of Baseball

Next year at spring training, the wills of management and labor will be tested. The owners will probably invite minor league players to put on the pinstripes and play ball. There aren't very many young ballplayers who will give up a chance to play in the big leagues. In a free society, labor has the right to strike, but management must have the right to hire strike-breakers. Several years ago, the National Football League ended a players' strike in a few weeks when they hired outside players.

My prediction: The players' union will be humbled and the smart players will return to what they know best, playing ball. □

1. D. T. Armentano, *Antitrust and Monopoly: Anatomy of a Policy Failure*, 2nd ed. (New York: Holmes and Meier, 1990), p. 271.
2. Mickey Mantle, *My Favorite Summer 1956* (Doubleday, 1991), p. 242.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

BOOKS

Cauldron

by Larry Bond

Warner Books • 1993 • 592 pages • $22.95

Reviewed by George C. Leef

The Left has long used popular fiction as a means of communicating and popularizing its egalitarian-statist philosophy. To cite but one well-known example, Upton Sinclair's *The Jungle* was intended to make people believe that laissez-faire capitalism was horribly unjust and dangerous to our health as well. Appeals to fear and envy, the Left's stock-in-trade, are easily woven into novels and the impact of such works on the outlook of the masses cannot be denied.

Writers of a libertarian bent have not ventured into fiction as frequently, with the notable exception of science fiction, where many novels have demonstrated the dystopian nature of socialism. Alas, for every Robert Heinlein or Ayn Rand, there have been many Upton Sinclairs. Most of the intellectual energy of the defenders of liberty has gone into scholarly works refuting the contentions of the socialists and exposing the counterproductivity of their nostrums. That is important, but as long as the opponents of liberty are on the attack, we risk losing the crucial battle for the hearts and minds of the populace.

That is why the appearance of Larry Bond's *Cauldron* is such a happy event. *Cauldron* is an elaborate working out of the disastrous consequences of a breakdown in free trade internationally. The bad guys in this book are opportunistic politicians who revel in power and despise the idea of the free market. They are ruthless scoundrels who will sacrifice thousands of innocent lives in order to attain their objectives. They fight dirty. Although war is not their desire, they are inexorably led to engage in it by the ripple effects of their anti-market policies. Brutal warfare is the result of governmental meddling in the peaceful operations of the free market. Bastiat once wrote that if goods don't cross borders, soldiers will. This book is an excellent illustration of the truth of that statement.

The villain of the piece is Nicolas Desaix, the French foreign minister. He dreams of Napoleonic glory for France—the statist's glory of hegemony over one's neighbors. The advanced age and poor health of the French President allows Desaix to seize de facto control over the government and he quickly sets about solving the many economic problems which beset France with, naturally, more coercion. He is especially eager to protect French industry from foreign competition. He has no use for "bubble-headed" economists who advocate free trade. What he desires is a European Confederation (EurCon), a French-dominated monetary union and trading bloc.

His plans go awry, however, when several nations—Poland, the Czech Republic, and Slovakia—decline to join EurCon. To bend Poland to his will, he engineers a natural gas shut-off from Russia. The United States and Britain attempt to keep Poland supplied by shipping liquified natural gas to Gdansk. When his orchestrated environmentalist campaign against the shipments fails to stop them, he has one of the tankers blown up.

Conflict erupts when the Hungarians overthrow their pro-Desaix government. French and German EurCon forces invade to restore their version of law and order. But aided by the U.S.-trained and equipped Polish air force, the Hungarians put up a surprisingly stiff battle. Desaix next attacks Poland to knock out their air bases and ultimately to subdue the independent Poles. That precipitates full-scale U.S. involvement, but Desaix is confident that he can win before American forces can intervene.

Bond is a talented writer and the military action on land, sea, and in the air is gripping. The issue is long in doubt, but eventually the anti-EurCon leaders find a way to exploit EurCon's internal weaknesses. It crumbles under an unanticipated counter-attack. Desaix and like-minded authoritarians are

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

swept from power. In the aftermath, the U.S. President proclaims that he seeks a new international alliance based on four firm principles: "free trade, free enterprise, free markets, and free governments." Put one in the win column for Frederic Bastiat! □

Mr. Leef is an Adjunct Scholar with the Mackinac Center for Public Policy in Midland, Michigan.

The Right Data

by Edwin S. Rubenstein, et al.

National Review Books • 1994 • 409 pages • $17.95 paper

Reviewed by Robert Batemarco

Did you know that 82 percent of the jobs created between 1982 and 1989 required high levels of skill and paid accordingly? . . . or that in 1990, there was one tax consumer for every 1.3 taxpayers? . . . or that during the 1980s housing became more affordable for those of middle income? . . . or that charitable giving during that same period increased by more than can be accounted for by higher incomes? If you did, you did not learn it from the mainstream press, whose constant refrain was that the '80s were a period of greed and indifference in which government programs were slashed, the rich got richer, the poor got poorer, and the middle class got shafted. If you didn't, reading Ed Rubenstein's *The Right Data*, will expose you to these facts plus many more.

The first half of this book consists of Rubenstein's "The Right Data" columns which appeared in *National Review* between 1988 and 1993, grouped by topic. This is followed by a series of articles published by various authors in a special 1992 issue of that same fortnightly, entitled "The Real Reagan Record." Contributors include Paul Craig Roberts, Martin Anderson, William Niskanen, Alan Reynolds, and Rubenstein, among others. The remainder of the book presents raw data tables with a minimum of commentary.

Although a supply-sider, Rubenstein transcends the caricature of that position by placing more emphasis on how high tax rates depress private economic activity, and less on how they cost the government revenue. Indeed, I found his discussion of the impact of various policies on job formation most enlightening. He cites OMB data which put the cost of the jobs government public work projects "create" at anywhere from $136,000 to $400,000 (versus $40,000 for the private sector), making it clear why such projects are net job destroyers. He also cogently illustrates how freer trade with Mexico has created jobs—both directly through exports (to which he attributes almost 400,000 new jobs between 1986 and 1990) and through the cost-cutting it made possible.

In the same vein, Glenn Yago's essay on that most maligned of financial innovations, high-yield bonds (pejoratively and more commonly dubbed junk bonds by their detractors), pinpoints how they led to employment gains, with job growth six times higher than industry averages among those firms whose debt is classified as "junk." He also puts the lie to James Stewart's contention that junk bond-financed takeovers were a major contributor to unemployment, noting that only 6.6 percent of jobs lost in the '80s were lost as a result of takeovers (p. 250).

While, as I said earlier, the theoretical framework binding together the facts and figures presented here is basically sound, there are a number of unfortunate lapses. One of the worst is that the author seems to have a soft spot for the nearly oxymoronic idea of government investment. This leads him to downplay the harm done by government deficits so long as they "finance roads, bridges, defense installations, schools, and other capital projects that will increase future GNP . . ." (p. 57). But what about those roads and urban rail systems costing thousands of dollars more per rider per year than their customers are willing to pay for them, the bridges which are investments not in future GNP but rather in votes and campaign contributions for the legislators who "bring home the bacon," the military bases that even the Pentagon considers useless (Rubenstein himself cites the Defense Department's claim that fewer than

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

one tenth of our bases are essential), and the schools whose inefficacy is a national scandal? The nature of government guarantees that such waste will constitute a large portion of government spending. And it renders absurd Paul Craig Roberts' suggestion that we should adopt the Japanese practice of counting government spending as investment (p. 230).

Most of the articles in this book are two pages long, with none longer than twelve pages. This, plus a thorough index, makes it easy for one to quickly find out what one wishes to know about a specific topic. It also means that the seeker after an in-depth treatment of these issues will have to look elsewhere. Nevertheless, anyone looking for the facts that can poke holes in the most common misrepresentations of our recent economic record would find this book a good place to start. □

In addition to editing the book review section of The Freeman, *Robert Batemarco is a marketing manager for economic analysis at J. Crew in New York City and teaches economics at Marymount College in Tarrytown, New York.*

Money Meltdown: Restoring Order to the Global Currency System

by Judy Shelton

The Free Press • 1994 • 399 pages • $24.95

Reviewed by Raymond J. Keating

The importance of a sound monetary system should not be underestimated. Without a solid monetary foundation, markets cannot operate properly and economies crumble. Nonetheless, monetary policy often receives short shrift outside academia and off currency trading floors. The machinations of the Federal Reserve, for example, at times seem too arcane for the average taxpayer or concerned citizen.

Fortunately, Judy Shelton, a research fellow at the Hoover Institution, has come forward with a clear, substantive look at developments in the international monetary system since World War II, as well as balanced assessments of the various schools of monetary thought.

Money Meltdown presents compelling arguments against both floating exchange rates and a pegged rate system based on nothing more than government acclamation. Regarding floating rates, Shelton concludes that "governments cannot resist the temptation to intervene and . . . government intervention causes perverse financial effects. Who ends up paying the price? Consumers, of course, who are deprived of the benefits of genuine comparative advantage. But also producers—the individuals who would prefer to avoid the risk of currency gyrations altogether and concentrate instead on delivering products that are competitive on their own merit." The floating exchange rate system turns out to be a "dirty float"—with governments attempting to manipulate currency values in vain efforts to achieve often mythical advantages in the international marketplace. Devaluation seems to be the last bastion of acceptable trade protectionism.

Shelton notes the fundamental difference between a stable exchange rate system based on government fiat and an anchored system: "Turning to an outside anchor permits trading partners to safely transcend politics in their monetary relations. Unlike a pegged rate system, an outside anchor offers an objective monetary point of reference instead of requiring countries to coordinate policies or subjugate their own economic agenda to the domestic priorities of the dominant regional power." As Europeans attempt to pick up the pieces after the disintegration of their pegged rate system, they should take serious note of Shelton's arguments.

Though sympathetic in many ways to the theory of privately supplied money, Shelton doubts whether a system of private currencies is workable. She is especially concerned as to whether competing currencies would be accepted by the average person.

More critically, though, Shelton understands that price stability is just as necessary in international markets as in domestic markets. The author explains, "If you can't evaluate competitive goods and services across borders in terms of their prices, you

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

cannot have a functioning free market." Shelton continues, "Risk and uncertainty are needlessly increased when firms are unable to discern the real costs of production or estimate potential rewards from investment because they operate in a global economic environment characterized by unpredictable currency values." The result is slower economic growth around the globe, as the benefits of free trade and investment—the benefits of comparative advantage—are hampered.

Shelton concludes that, "given the disadvantages of other systems—the corruptness of floating rates, the superficiality of pegged exchange rates, the confusion of competitive private currencies—an international gold standard emerges as the most attractive option." She goes on to neatly summarize a key benefit of gold: "A gold standard, in short, would prevent governments from using their currencies as tools of short-term economic policy, trading the temporary advantage of cheap exports against the longer-term problems of decreased purchasing power for their citizens in the global economy. The emphasis among participants in the international marketplace would rightly turn to comparative advantage and genuine competence."

Shelton's idea for a gold standard would seek to remove two fundamental flaws of the Bretton Woods system by extending the right of convertibility to private citizens and avoiding reliance upon a single anchor currency. The author explains, "Had private citizens enjoyed the same convertibility rights as foreign central banks under the Bretton Woods agreement, their individual actions would have brought about a more diffused adjustment to changes in the U.S. money supply and alerted officials to dangerous developments long before the integrity of the entire system came under threat." On the second point of a single anchor currency, Shelton observes, "Monopoly power has an inherent tendency to be abused; this fact is no less true for the key currency issuer than for suppliers of other economic goods."

Shelton views the economy from a comprehensive supply-side perspective. As such, she not only understands the benefits of lower taxes and less regulation, but also the rewards of sound money—both domestically and internationally. Though the author goes too far in arguing that the government could no longer run a budget deficit under a gold standard; she is correct to note that "the government could not monetize a budget deficit." Therefore, the incentive to run deficits would be greatly reduced. Shelton also understands how best to eliminate a deficit, as noted in a passage that ventures into the realm of fiscal policy: "Instead of shrinking the nation's level of productive economic activity by imposing higher tax rates in a misguided attempt to raise government revenues, private business activity should be spurred through lower tax rates. Despite the drubbing supply-side economics has been subjected to, lower marginal tax rates can lead to higher overall levels of tax revenue as individuals respond to opportunities to reap greater personal rewards from their entrepreneurial activities."

The implementation of a gold standard will enhance the rewards for entrepreneurship as well by maintaining price stability and reducing currency risks in the international marketplace. In *Money Meltdown*, Shelton adeptly explores the benefits of anchoring currencies to gold, and thereby has added another valuable tome to the expanding library of supply-side economics. □

Mr. Keating is Director of New York Citizens for a Sound Economy, and partner with Northeast Economics and Consulting.

Lost Rights: The Destruction of American Liberty

by James Bovard

St. Martin's Press • 1994 • 408 pages • $24.95

Reviewed by William H. Peterson

"The most cogent reason for restricting the interference of government is the great evil of adding unnecessarily to its power. Every function superadded to those

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

already exercised by the government causes its influence over hopes and fears to be more widely diffused, and converts, more and more, the active and ambitious part of the public into hangers-on of the government, or of some party which aims at becoming the government."

So wrote John Stuart Mill in 1859. Concurring is policy analyst James Bovard who has written a whale of a book, at once courageous, entertaining, and thoroughly documented. Bovard, author of *The Fair Trade Fraud* (1991) and a frequent contributor to the *Wall Street Journal* and *New York Times*, holds that Americans pay dearly for idolizing the State and treating its interventionist laws as gospel.

He argues that the more we glorify government, the more liberties we lose, that the central issue of our times is between letting people build their own lives and compelling them to build their lives as the state dictates, that people are drowning in a flood of legislative and administrative law, that the American government wars on private property rights which are at the very heart of liberty, and that the vast effort of government intervention to improve society is "a dismal failure."

In the war on property, Bovard cites the case of St. Bartholomew's Church on New York's Park Avenue. The parish tried to sell its community house next to the church and replace it with a high-rise office building which would have netted $100 million. But the New York City Landmarks Preservation Commission denied the church's petition because of its historic designation. The church sued that the designation amounted to an illegal seizure under the Fifth and Fourteenth Amendments, only to face an adverse federal appeals court ruling in 1991: "The church has failed to prove that it cannot continue its religious practice in its existing facilities. . . . So long as the church can continue to use its property in the way that it has been using it—to house its charitable and religious activities—there is no unconstitutional taking." In other words, bye-bye $100 million. Bovard sees the ruling as effectively handing over to local governments almost unlimited power to selectively place private property—and human freedom—in limbo.

As evidence of the flood of legislative and administrative law, the author points out that the *Federal Register* publishes each year some 70,000 pages of fine print of new laws, rulings, regulations, and proposals. The average citizen could hardly read this legal outpouring, let alone understand it; but it nonetheless silently gnaws at his life, liberty, and property as presumably enunciated by the Declaration of Independence and the Bill of Rights.

Bovard wonders how liberty fares when Equal Employment Opportunity Commission officials can levy a fine of $145,000 on an owner of a small business in Chicago because he did not have 8.45 African-Americans on his payroll, when U.S. Agriculture Department agents can prohibit Arizona farmers from selling 58 percent of their lemon crop to other Americans, when government subsidies become a major factor in squeezing out unsubsidized developers, schools, theater producers, and farmers, when total federal spending has jumped in nominal terms, from $100 billion in 1963 to over $1.5 trillion in 1994. And this jump is before enactment of a Clintonlike health plan which would federalize (read socialize) one-seventh of the nation's Gross Domestic Product.

Clearly, government in America overreaches, overtaxes, overgoverns—with abysmal results. James Bovard closes with an apt quotation from Henry David Thoreau: "If you see a man approaching you with the obvious intent of doing you good, run for your life." □

Dr. Peterson, Distinguished Lundy Professor of Business Philosophy Emeritus at Campbell University in North Carolina and a Freeman *Contributing Editor, is completing a book manuscript entitled* Peterson's Law: Why Things Go Wrong.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

INDEX
THE FREEMAN
Volume 44
January-December 1994

Prepared by Gregory P. Pavlik and Beth A. Hoffman

Note: In page references, the number preceding the colon designates the month, the numbers following refer to pages. Articles have at least three entries—author, title, and subject, except in a few cases when the title and the appropriate subject coincide. Books reviewed are listed alphabetically by their author(s) on page 720.

ADLER, Jonathan H. *See* Book reviews (Epstein; Meiners and Yandle; Rauch)
AFFIRMATIVE action, ethics of (Yates) 7:351–353
AFRICA
  Some international neglect would be good for Africa (Ahiakpor) 8:447–450
AHIAKPOR, James C. W.
  Some international neglect would be good for Africa. 8:447–450
AHRENS, John
  Sweet speculation. 7:358–360
ALEXANDER, Scott
  Treachery? 9:491–492
ALL of us are equal? (Machan) 4:198–199
AMERICA's economics knowledge deficit (Reed) 9:480–482
ANDERSON, William L.
  Higher airfares ahead? 4:177
ANTITRUST policy, failure of (Armentano) 6:294–296
ARE government statistics necessary? (Youngblood) 4:204
ARE women exploited by the free market? (Chodes) 9:508–513
ARMENTANO, D. T.
  The failure of antitrust policy. 6:294–296
ART and commerce (Dodsworth) 7:361–364
AT home, but hardly alone (Christie) 8:415–416
ATTARIAN, John
  Freedom versus fear. 3:136–140
  See also Book reviews (Bannister; Gwartney and Stroup; Paterson; Peterson)

BAIRD, Charles W.
  Labor cartels, competition, and government. 8:426–429
  Strikers and scabs. 3:143–144
  Guest editor, August
BANDOW, Doug
  Mother's little helper. 4:200–203
  The pharmaceutical industry: problem or solution? 2:55–60
  Reforming America's medical system through deregulation. 8:396–405
  Time to kill draft registration. 12:690–695
  See also Book reviews (Bernstein and Foster and Huber; Lewis)
  Guest editor, February
BANFIELD, Eric-Charles
  One information superhighway: take it or leave it? 8:429–430
  Passing laws: is governing that simple? 12:705–706
BARONE, Stephen G.
  Peace, political science, and pedagogy. 7:379–380
BASEBALL strikes out (Skousen) 12:707–708
BATEMARCO, Robert
  Lending discrimination: the unending search. 5:259–262
  See also Book reviews (Bordo and Eichengreen; *Freeman* Classics; Rubenstein)
BEFRIENDING volunteer: Octavia Hill (Clayton) 10:563–564
BEISNER, E. Calvin
  The double-edged sword of multiculturalism. 3:104–112
  Guest editor, March
BEITO, David T.
  Lodge doctors and the poor 5:220–225
BEST alternative (Clites) 1:32–33
BEYOND equality of the sexes (Roback) 12:679–684
BEYOND the invisible hand (Gow) 10:550
BIDINOTTO, Robert James
  The real enemy of liberty. 12:696–697
BILLINGSLEY, K. L.
  If you build it they will come. 8:408–409
  Owls, ferrets, and free markets. 5:251–252
BOERNER, Phil
  A firm hand up for street addicts. 10:559–560
BOETTKE, Peter J.
  Guest editor, May
BOLCH, Ben W. *See* Book reviews (Putnam)
BOUDREAUX, Donald J.
  Losing touch. 6:297–299
  "Predatory pricing" laws: hazardous to consumers' health. 12:664–667
BROWN, David M. *See* Book reviews (Commager; Fulda)
BROWN, Tim
  The New York asbestos debacle. 2:91–92
BUCKLES, Brian
  Morality and wisdom. 4:205–206
BUSINESS in the global community (McGee) 7:377–379
BUSINESS, business ethics
  Art and commerce (Dodsworth) 7:361–364
  Businessmen and the war of ideas (Reed) 7:343–345
  Communitarian and individualist ideas in business (Skoble) 7:336–339
  Duty and interest (Den Uyl) 7:339–342
  Social responsibility of corporations and how to make it work for you (Hasnas) 7:332–335
  Sour days at the lemonade stand (Levinson) 10:561–562
  Treachery? (Alexander) 9:491–492
  Worker in contemporary society (Chesher) 7:346–350
BY any means necessary? (Zimmerman) 6:304–306

CAPITALISM: an alternative for inner-city gangs (Reiland) 3:134–135
CAPITALISM
  Eating the seed corn (Kazmann) 8:451–452
  Things are better than we think . . . (Shaw) 6:276–278
  What is a capitalist? (Clites) 9:518–519
CASE against managed "fair" trade and strategic trade. (Kamath) 8:436–442
CASE for home schooling (Lechtreck) 1:36–39
CHAMBERLAIN, John. *See* Book reviews (Cornuelle; Gale and Rostow; Kirk; Roche)
CHESHER, J.E.
  The worker in contemporary society. 7:346–350
  See also Book reviews (Machan)
CHODES, John
  Are women exploited by the free market? 9:508–513
  The new forest. 4:166–167
CHRISTAINSEN, Gregory B.
  Environmental regulation: just as bad as any other. 8:410–412
CHRISTIE, Jim
  At home, but hardly alone. 8:415–416
  See also Book reviews (Raimondo)
CHURCHES
  Do English cathedrals need government help? (Payne) 8:455–456
  Pensiongate: the emerging crisis of church investments (Dickson) 8:453–455
CLAYTON, Peter
  The befriending volunteer: Octavia Hill. 10:563–564
CLEVELAND, Paul A.
  The immorality of government-mandated health care. 11:594–597
CLITES, Roger M.
  The best alternative. 1:32–33
  Hoarders, speculators, and other scapegoats. 11:635–636
  What is a capitalist? 9:518–519
CLOSING the green gap of market liberalism (Hess) 12:658–663
COMMERCIAL banking in a free society (Horwitz) 7:370–373
COMMUNITARIAN and individualist ideas in business (Skoble) 7:336–339
COMMUNITARIANISM, libertarianism as (Klein) 12:685–689
COMPETITION
  Incredible ticket machine (Ellig) 5:231–235
CONDRY, Robert A.
  Transitting away from the free market. 9:516–518
CONSCRIPTION
  Time to kill draft registration (Bandow) 12:690–695
CORDATO, Roy E. and Richman, Sheldon
  A tax deduction for education. 6:299–301

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

CORRECTION, please! (Mark Skousen column)
Baseball strikes out. 12:707–708
The free market works fine, except . . . 9:525–527
An ignoble prize in economics? 7: 385–387
I'm all for free trade, but . . . 10:573–575
Is this the age of ignorance or enlightenment? 6:320–322
The mother of all myths. 5:263–265
Paul Samuelson finally gets it right. 3:145–147
The perversity of Wall Street. 11: 637–638
What's missing from this picture? 8:457–459
Will Keynes ever die? 4:209–210
CRIME
Real enemy of liberty (Bidinotto) 12: 696–697
CRISIS in the making: Europe's welfare burden (Elliott) 9:505–507
CROWLEY, Brian Lee
Liberty and entrepreneurship. 12: 675–678
CULTURE
Double-edged sword of multiculturalism (Beisner) 3:104–112
To repair the culture, free the market (Rockwell) 3:113–117
CUNNINGHAM, Jill K.
Uncle Sam's high priced "volunteers." 10:571–572

DATA manipulation as crisis (Pulsinelli) 11:620–622
DAVIS-BACON: Jim Crow's last stand (Frantz) 2:66–70
DEMOCRACY
What's wrong with democracy? (Hatzilambrou) 6:312–315
DENNIS, Kimberly O.
Some philanthropists turn their backs on voluntarism. 10:565–566
DEN UYL, Douglas
Duty and interest. 7:339–342
DICKSON, Charles
Pensiongate: the emerging crisis of church investments. 8:453–455
DILORENZO, Thomas J.
Economic fascism. 6:288–293
Guest editor, June
DISASTER relief, insurance
How government makes natural disasters worse (Rockwell) 6:279–281
Natural disaster protection act: a disaster waiting to happen (Wolfram) 8:417–420
DISCOURAGED employer (Weidenbaum) 11:615–619
DO English cathedrals need government help? (Payne) 8:455–456
DODSWORTH, Barbara
Art and commerce. 7:361–364
DOUBLE-edged sword of multiculturalism (Beisner) 3:104–112
DUDLEY, Michael Bixby
Why old proverbs don't apply anymore. 8:445–446
DUFF, Michael R.
The moral hazard of government. 6:307–311
DUTY and interest (Den Uyl) 7:339–342

EATING the seed corn (Kazmann) 8: 451–452
ECONOMIC education
America's economics knowledge deficit (Reed) 9:480–482
ECONOMIC fascism (DiLorenzo) 6: 288–293
ECONOMIC illiteracy makes bad law (Pulliam) 9:482–485
ECONOMIC opportunity needs a moral dimension (Reed) 6:282–283
ECONOMIC way of thinking (Nash) part 4, 1:4–7; part 5, 2:52–54; part 6, 3:100–103; part 7, 4:156–158; part 8, 5:256–259
ECONOMICS
Data manipulation as crisis (Pulsinelli) 11:620–622
Get a grip, Garth! (Schlager) 8:443–445
Is this the age of ignorance—or enlightenment? (Skousen) 6:320–322
EDUCATION
At home, but hardly alone (Christie) 8:415–416
Case for home schooling (Lechtreck) 1:36–39
Double-edged sword of multiculturalism (Beisner) 3:104–112
Free-market university (W. Peterson) 4:164–165
Morality and wisdom (Buckles) 4: 205–206
New York asbestos debacle (T. Brown) 2:91–92
Now for some serious educational reform (Machan) 6:302–303
Origins of federal control over education (Twight) 12:701–704
Piper will be paid (Van Eaton) 11: 623–626
School choice for inner-city kids (Ehrgott) 10:553–554
School violence (Hood) 2:85–90
A tax deduction for education (Cordato and Richman) 6:299–301
Time to smarten up rather than dumb down (Perlmutter) 10:569–570
EDWARDS, James Rolph
Free markets and externalities: the symmetry of unintended effects. 8:421–425
EGG and I (Pike) 4:170–171
EHRGOTT, Timothy P.
School choice for inner-city kids. 10: 553–554
ELLIG, Jerry
The incredible ticket machine. 5:231–235
ELLIOTT, Nicholas
A crisis in the making: Europe's welfare burden. 9:505–507
EMPLOYMENT
Discouraged employer (Weidenbaum) 11:615–619
ENDING welfare as they knew it (Wisz) 10:540–542
ENTREPRENEURSHIP
Liberty and entrepreneurship (Crowley) 12:675–678
Parable of the talents: the Bible and entrepreneurs (Sirico) 7:354–357
What makes entrepreneurs tick? (Williams) 10:545–549
ENVIRONMENT and free trade (Kwong) 2:61–65
ENVIRONMENTAL regulation: just as bad as any other (Christainsen) 8:410–412
ENVIRONMENTAL regulations aren't cheap (Reed) 12:668–669
ENVIRONMENTALISM
Closing the green gap of market liberalism (Hess) 12:658–663
New forest (Chodes) 4:166–167
Owls, ferrets, and free markets (Billingsley) 5:251–252
Science—Coming out of the closet (Hagen and Worman) 9:501–504
Things are better than we think. . . (Shaw) 6:276–278
EQUALITY
All of us are equal? (Machan) 4:198–199
ETHICS of affirmative action (Yates) 7:351–353
EUROPE
Crisis in the making: Europe's welfare burden (Elliott) 9:505–507
Post-Communist traumas east and west (Machan) 5:253–255
Promote free and not command constitutions (Siegan) 4:191–192
"Thou shalt not steal" (Malek) 9: 486–490

FAILURE of antitrust policy (Armentano) 6:294–296
FAMILY leave, unseen costs of (Sirico) 2:83–84
FASCISM
Economic fascism (DiLorenzo) 6: 288–293
Fascist epithet (Tanner) 6:284–287
FEDERAL transit subsidies: how government investment harms the U.S. economy (Semmens) 2:71–75
FEMINIST lesson from economics (Walker) 5:226–230
FIRM hand up for street addicts (Boerner) 10:559–560
FOLEY, Jr., Ridgway K.
Mr. Dickens was right. 1:8–12
FOOD and Drug Administration (FDA)
FDA and the market in natural medicine (Hiller) 9:520–524
Should the government kill people to protect their health? (Higgs) 1:13–17
FOREIGN aid the voluntary way (Smith) 10:555–556
FOUR myths about America's Great Depression (Nash) 11:603–610
FRANTZ, John
Davis-Bacon: Jim Crow's last stand. 2:66–70
FREE-market university (W. Peterson) 4:164–165
FREE market works fine, except. . . (Skousen) 9:525–527
FREE markets and externalities: the symmetry of unintended effects (Edwards) 8:421–425
FREEDOM or free-for-all? (Reed) 4: 172–173
FREEDOM versus fear (Attarian) 3: 136–140
FREEDOM
Best alternative (Clites) 1:32–33

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

GALLES, Gary M.
We need free trade in deed as well as word. 1:23–24
GASMAN, Lawrence. *See* Book reviews (Keating)
GET a grip, Garth! (Schlager) 8:443–445
GIARUSSO, Frederick and Hudson, Gary C.
The space program: no prize. 1:29–31
GOLD. *See* money
GOOD intentions under the microscope (Hyatt) 10:557–558
GOVERNMENT as Robin Hood (Pasour) 12:670–672
GOVERNMENT-created poverty (Martino) 4:187–189
GOVERNMENT "investment" (Semmens) 4:168–169
GOVERNMENT redistribution impoverishes the poor (Lee) 3:129–130
GOVERNMENT regulation, planning, intervention
Discouraged employer (Weidenbaum) 11:615–619
Keeping bad company? (Mixon) 4:189–190
Moral hazard of government (Duff) 6:307–311
Mother's little helper (Bandow) 4:200–203
Needful blessing for the tsar (Trieb) 3:141–143
Of meat and myth (Reed) 11:600–602
One information superhighway: take it or leave it? (Banfield) 8:429–430
Passing laws: is governing that simple? (Banfield) 12:705–706
Past is prologue (Heaton) 5:241–243
Regulation and productivity (Hospers) 7:373–376
Space program: no prize (Giarusso and Hudson) 1:29–31
Unseen costs of family leave (Sirico) 2:83–84
What is government waste? (W. Peterson) 1:18–19
GOW, Haven Bradford
Beyond the invisible hand. 10:550
GRASSROOTS mentors (Woodson) 10:543–544
GREAT DEPRESSION, four myths about America's Great Depression (Nash) 11:603–610
GREAVES, Bettina Bien
How much money? 3:131–134
Why war? 4:159–163
See also Book reviews (Holtz)
Guest editor, September
GROFF, Patrick. *See* Book reviews (Sowell)

HAGEN, Eric W. and Worman, James J.
Science—coming out of the closet. 9:501–504
HASNAS, John
The social responsibility of corporations and how to make it work for you. 7:332–335
HATZILAMBROU, L.
What's wrong with democracy? 6:312–315
HAZLITT, Henry
Is politics insoluble? 9:468–473
HEALTH care and the chronically ill (Hodson) 11:588–589
HEALTH care, health insurance
Canadian health care a good model for the U.S. to follow? (Walker) 8:405–407
FDA and the market in natural medicine (Hiller) 9:520–524
Good intentions under the microscope (Hyatt) 10:557–558
If you build it, they will come (Billingsley) 8:408–409
Immorality of government-mandated health care (Cleveland) 11:594–597
Level playing field (Zimmerman) 1:34–35
Pharmaceutical industry: problem or solution (Bandow) 2:55–60
Reforming America's medical system through deregulation (Bandow) 8:396–405
Should the government kill people to protect their health? (Higgs) 1:13–17
Socialized health-care nightmare (Maltsev and Omdahl) 11:590–594
What NBC didn't tell you about health-care reform (Orient) 11:598–599
HEALTH-CARE reform: déjà vu all over again (Horwitz and Horwitz) 12:698–700
HEATON, K. Maureen
The past is prologue. 5:241–243
HESS, Jr., Karl
Closing the green gap of market liberalism. 12:658–663
HIGGS, Robert
Nineteen neglected consequences of income redistribution. 12:652–657
Should the government kill people to protect their health? 1:13–17
Guest editor, December
HIGHER airfares ahead? (Anderson) 4:177
HILL, Octavia: The befriending voluntarism (Clayton) 10:563–564
HILLER, Stephanie
FDA and the market in natural medicine. 9:520–524
HOARDERS, speculators, and other scapegoats (Clites) 11:635–636
HODSON, Hope
Health care and the chronically ill. 11:588–589
HOOD, John
School violence. 2:85–90
See also Book reviews (Wooster)
HORWITZ, Ronald M. (co-author). *See* Horwitz, Steven
HORWITZ, Steven
Commercial banking in a free society. 7:370–373
See also Book reviews (Timberlake)
HORWITZ, Steven and Horwitz, Ronald M.
Health-care reform: déjà vu all over again. 12:698–700
HOSPERS, John
Regulation and productivity. 7:373–376
HOUSTON says no to zoning (Saltzman) 8:431–435
HOW government makes natural disasters worse (Rockwell) 6:279–281
HOW Japan realized her "impossible dream" (Murata) 9:493–499
HOW much money? (Greaves) 3:131–134
HUDSON, Gary C. (co-author). *See* Giarusso
HULTBERG, Nelson
Is individualism dead? 6:316–319
HUMAN rights around the globe (Machan) 2:80–81
HYATT, Thomas A.
Good intentions under the microscope. 10:557–558

I'M all for free trade, but. . . (Skousen) 10:573–575
IDEAS and consequences (Lawrence W. Reed column)
America's economics knowledge deficit. 9:480–482
As values collapse, government grows. 5:236–237
Businessmen and the war of ideas. 7:343–345
Economic opportunity needs a moral dimension. 6:282–283
Environmental regulations aren't cheap. 12:668–669
Freedom or free-for-all? 4:172–173
"Immigration problem." 10:551–552
Of meat and myth. 11:600–602
Power of positive example. 8:413–415
IF you build it, they will come (Billingsley) 8:408–409
IGNOBLE prize in economics? (Skousen) 7:385–387
"IMMIGRATION problem" (Reed) 10:551–552
IMMORALITY of government-mandated health care (Cleveland) 11:594–597
INCREDIBLE ticket machine (Ellig) 5:231–235
INDIVIDUAL RIGHTS
Communitarian and individualist ideas in business (Skoble) 7:336–339
Human rights around the globe (Machan) 2:80–81
Is individualism dead? (Hultberg) 6:316–319
Power of positive example (Reed) 8:413–415
Rights versus entitlements (Yates) 9:478–479
INDUSTRIAL policy
Economic fascism (DiLorenzo) 6:288–293
INSIDE the federal hurting machine (Payne) 3:124–128
INTEREST rates and the business cycle (Tenney) 11:611–614
INVISIBLE value (Shaw) 12:673–674
IS Canadian health care a good model for the U.S. to follow? (Walker) 8:405–407
IS individualism dead? (Hultberg) 6:316–319
IS politics insoluble? (Hazlitt) 9:468–473

JAPAN
How Japan realized her "impossible dream" (Murata) 9:493–499
JORDAN, David Starr
The moral aspect of the protective tariff. 1:20–22
JURY nullification: cornerstone of freedom (Koopman) 2:81–82

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

KAMATH, Shyam J.
The case against managed "fair" trade and strategic trade. 8:436–442
KAZMANN, Raphael G.
Eating the seed corn. 8:451–452
KEATING, Raymond J. *See* Book reviews (Boorstin; *Freeman* Classics; Gasman; Gilder; Henderson; Shelton; Thatcher and Lawson)
KEEPING bad company? (Mixon) 4: 189–190
KEYNES, John Maynard, ideas of
Will Keynes ever die? (Skousen) 4: 209–210
KING Charles' ax: property rights, human freedom, and the quality of life (Robson) 5:244–250
KINSELLA, N. Stephan. *See* Book reviews (Hoppe)
KIRZNER, Israel. *See* Book reviews (Ioannides)
KLEIN, Daniel B.
Libertarianism as communitarianism. 12:685–689
The moral consequences of paternalism. 5:238–240
Private highways in America, 1792-1916. 2:75–79
KNOWLEDGE
Feminist lesson from economics (Deborah Walker) 5:226–230
Invisible value (Shaw) 12:673–674
KOOPMAN, Roger
Jury nullification: cornerstone of freedom. 2:81–82
KWONG, Jo
Environment and free trade. 2:61–65

LABAND, David N.
Singing the ticket scalping blues. 9: 514–515
LABOR cartels, competition, and government (Baird) 8:426–429
LABOR
Baseball strikes out (Skousen) 12: 707–708
Davis-Bacon: Jim Crow's last stand (Frantz) 2:66–70
Monopoly demand for labor? (Tenney) 4:174–176
Strikers and scabs (Baird) 3:143–144
LAPIN, Daniel
Money and its image problem. 7:365–369
LAW, legal services
Mr. Dickens was right (Foley) 1:8–12
Property rights, American Constitutionalism and international human rights "law" (Daniel Walker) 9:474–477
Zsa Zsa and the litigation explosion (Reiland) 10:567–568
LECHTRECK, Roy
The case for home schooling. 1:36–39
LEE, Dwight R.
Government redistribution impoverishes the poor. 3:129–130
LEEF, George C. *See* Book reviews (Bond; Lieberman)
LENDING discrimination: the unending search (Batemarco) 5:259–262
LEVEL playing field (Zimmerman) 1: 34–35
LEVINSON, Ted
Sour days at the lemonade stand. 10:561–562
LIBERTARIANISM as communitarianism (Klein) 12:685–689
LIBERTY and entrepreneurship (Crowley) 12:675–678
LODGE doctors and the poor (Beito) 5:220–225
LOSING touch (Boudreaux) 6:297–299

MACHAN, Tibor
All of us are equal? 4:198–199
Human rights around the globe. 2: 80–81
Now for some serious educational reform. 6:302–303
Post-Communist traumas east and west. 5:253–255
Guest editor, July
MALEK, Jan Michal
"Thou shalt not steal." 9:486–490
MALTSEV, Yuri and Omdahl, Louise
Socialized health-care nightmare. 11: 590–594
MARTINO, Joseph P.
Government-created poverty. 4:187–189
MCGEE, Robert W.
Business in the global community. 7:377–379
MIXON, J. Wilson
Keeping bad company? 4:189–190
MONEY and inflation (Parks) 4:207–208
MONEY and its image problem (Lapin) 7:365–369
MONEY, banking, inflation, credit
Commercial banking in a free society (Horwitz) 7:370–373
How much money? (Greaves) 3:131–134
Interest rates and the business cycle (Tenney) 11:611–614
Lending discrimination: the unending search (Batemarco) 5:259–262
What is a dollar? (Vieira) 11:627–630
What's missing from this picture? (Skousen) 8:457–459
MONOPOLY demand for labor? (Tenney) 4:174–176
MORAL aspect of protective tariff (Jordan) 1:20–22
MORAL consequences of paternalism (Klein) 5:238–240
MORAL hazard of government (Duff) 6:307–311
MORALITY and wisdom (Buckles) 4: 205–206
MORALITY, ethics
As values collapse, government grows (Reed) 5:236–237
Beyond the invisible hand (Gow) 10: 550
Economic opportunity needs a moral dimension (Reed) 6:282–283
Ethics of affirmative action (Yates) 7:351–353
Moral consequences of paternalism (Klein) 5:238–240
Parable of the talents: the Bible and entrepreneurs (Sirico) 7:354–357
MOTHER of all myths (Skousen) 5: 263–265
MOTHER'S little helper (Bandow) 4: 200–203
MR. Dickens was right (Foley, Jr.) 1: 8–12
MULTICULTURALISM; *see* culture
MURATA, Toshio
How Japan realized her "impossible dream." 9:493–499

NASA
Space program: no prize (Giarusso and Hudson) 1:29–31
NASH, Ronald
Four myths about America's Great Depression. 11:603–610
The economic way of thinking. (Parts 1, 2, and 3 published in 1993)
Part 4: 1:4–7
Part 5: 2:52–54
Part 6: 3:100–103
Part 7: 4:156–158
Part 8: 5:256–259
See also Book reviews (Novak)
Guest editor, November
NATURAL disaster protection act: a disaster waiting to happen (Wolfram) 8:417–420
NEEDFUL blessing for the tsar (Trieb) 3:141–143
NEW forest (Chodes) 4:166–167
NEW York asbestos debacle (Brown) 2:91–92
NINETEEN neglected consequences of income redistribution (Higgs) 12: 652–657
NOW for some serious educational reform (Machan) 6:302–303

OMDAHL, Louise (co-author). *See* Maltsev
ONE information superhighway: take it or leave it? (Banfield) 8:429–430
ORIENT, Jane M.
What NBC didn't tell you about health-care reform. 11:598–599
ORIGINS of federal control over education (Twight) 12:701–705
OSTERFELD, David. *See* Book reviews (Walter)
OUR own mad clockwork (Zimmerman) 3:118–123
OWLS, ferrets, and free markets (Billingsley) 5:251–252

PARABLE of the talents: the Bible and entrepreneurs (Sirico) 7:354–357
PARKS, Lawrence M.
Money and inflation. 4:207–208
PASOUR, Jr., E. C.
The government as Robin Hood. 12: 670–672
PASSING laws: is governing that simple? (Banfield) 12:705–706
PAST is prologue (Heaton) 5:241–243
PATERNALISM, consequences of (Klein) 5:238–240
PAYNE, James L.
Do English cathedrals need government help? 8:455–456
Inside the federal hurting machine. 3:124–128
Guest editor, October
PEACE, political science, and pedagogy (Barone) 7:379–380
PENSIONGATE: the emerging crisis of church investments (Dickson) 8:453–455

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

PERLMUTTER, Philip
Time to smarten up rather than dumb down. 10:569–570
PERSON, Lawrence. *See* Book reviews (Magnet)
PERVERSITY of Wall Street (Skousen) 11:637–638
PETERSON, Robert A.
Shipwrecked in New Jersey. 1:26–28
PETERSON, William H.
A free-market university. 4:164–165
What is government waste? 1:18–19
See also Book reviews (Bovard; Dietze; Hanke, Jonung, and Schuler)
Guest editor, April
PETRO, Sylvester
Social security, the welfare state, and the market. 4:178–186
PHARMACEUTICAL industry: problem or solution? (Bandow) 2:55–60
PIKE, William E.
The egg and I. 4:170–171
PIPER will be paid (Van Eaton) 11: 623–626
POLITICAL correctness
By any means necessary? (Zimmerman) 6:304–306
Why old proverbs don't apply anymore (Dudley) 8:445–446
Zsa Zsa and the litigation explosion (Reiland) 10:567–568
POLITICS
Is politics insoluble? (Hazlitt) 9:468–473
Losing touch (Boudreaux) 6:297–299
POST-COMMUNIST traumas east and west (Machan) 5:253–255
POVERTY
Ending welfare as they knew it (Wisz) 10:540–542
Government as Robin Hood (Pasour) 12:670–672
Government-created poverty (Martino) 4:187–189
Government redistribution *impoverishes the poor* (Lee) 3:129–130
Lodge doctors and the poor (Beito) 5:220–225
"PREDATORY pricing" laws: hazardous to consumers' health (Boudreaux) 12:664–667
PRICES, pricing
Free market works fine, except. . . (Skousen) 9:525–527
"Predatory pricing" laws: hazardous to consumers' health (Boudreaux) 12:664–667
Singing the ticket scalping blues. (Laband) 9:514–515
PRIMICH, Frank J. *See* Book reviews (Annis)
PRIVATE highways in America, 1792-1916 (Klein) 2:75–79
PROFIT without honor (Sproul) 11: 631–634
PROMOTE free and not command constitutions (Siegan) 4:191–192
PROPERTY rights
American Constitutionalism and international human rights "law" (Daniel Walker) 9:474–477
Egg and I (Pike) 4:170–171
King Charles' ax: property rights, human freedom, and the quality of life (Robson) 5:244–250
PULLIAM, Mark S.
Economic illiteracy makes bad law. 9:482–485
PULSINELLI, Robert W.
Data manipulation as crisis. 11:620–622

REAL enemy of liberty (Bidinotto) 12: 696–697
REED, Lawrence W.
America's economics knowledge deficit. 9:480–482
As values collapse, government grows. 5:236–237
Businessmen and the war of ideas. 7:343–345
Economic opportunity needs a moral dimension. 6:282–283
Environmental regulations aren't cheap. 12:668–669
Freedom or free-for-all? 4:172–173
"Immigration problem." 10:551–552
Of meat and myth. 11:600–602
The power of positive example. 8: 413–415
REFORMING America's medical system through deregulation (Bandow) 8:396–405
REGULATION and productivity (Hospers) 7:373–376
REILAND, Ralph
Capitalism: an alternative for inner-city gangs. 3:134–135
Zsa Zsa and the litigation explosion. 10:567–568
RICHMAN, Sheldon (co-author). *See* Cordato
RIGHTS versus entitlements (Yates) 9:478–479
ROBACK, Jennifer
Beyond equality of the sexes. 12: 679–684
ROBSON, John
King Charles' ax: property rights, human freedom, and the quality of life. 5:244–250
ROCKWELL, JR., Llewellyn H.
How government makes natural disasters worse. 6:279–281
To repair the culture, free the market. 3:113–117

SALTZMAN, James D.
Houston says no to zoning. 8:431–435
SCHLAGER, Reid
Get a grip, Garth! 8:443–445
SCHOOL choice for inner-city kids (Ehrgott) 10:553–554
SCHOOL violence (Hood) 2:85–90
SCIENCE—coming out of the closet (Hagen and Worman) 9:501–504
SEMMENS, John
Federal transit subsidies: how government investment harms the U.S. economy. 2:71–75
Government "investment." 4:168–169
SHAW, Jane S.
Invisible value. 12:673–674
Things are better than we think (and could be better yet). 6:276–278
SHIPWRECKED in New Jersey (R. Peterson) 1:26–28
SHOULD the government kill people to protect their health? (Higgs) 1:13–17
SIEGAN, BERNARD H.
Promote free and not command constitutions. 4:191–192
SINGING the ticket scalping blues (Laband) 9:514–515
SIRICO, Robert A.
The parable of the talents: the Bible and entrepreneurs. 7:354–357
The unseen costs of family leave. 2:83–84
SKOBLE, Aeon J.
Communitarian and individualist ideas in business. 7:336–339
SKOUSEN, Mark
Baseball strikes out. 12:707–708
The free market works fine, except . . . 9:525–527
An ignoble prize in economics? 7: 385–387
I'm all for free trade, but . . . 10:573–575
Is this the age of ignorance—or enlightenment? 6:320–322
The mother of all myths. 5:263–265
Paul Samuelson finally gets it right. 3:145–147
The perversity of Wall Street. 11: 637–638
What's missing from this picture? 8:457–459
Will Keynes ever die? 4:209–210
SLAVERY
Our own mad clockwork (Zimmerman) 3:118–123
SMITH, Menlo F.
Foreign aid the voluntary way. 10: 555–556
SOCIAL responsibility of corporations and how to make it work for you (Hasnas) 7:332–335
SOCIAL security, the welfare state, and the market (Petro) 4:178–186
SOCIALIZED health care nightmare (Maltsev and Omdahl) 11:590–594
SOME international neglect would be good for Africa (Ahiakpor) 8:447–450
SOME *philanthropists turn their backs* on voluntarism (Dennis) 10:565–566
SOUR days at the lemonade stand (Levinson) 10:561–562
SPACE program: no prize (Giarusso and Hudson) 1:29–31
SPECULATORS
Sweet speculation (Ahrens) 7:358–360
SPROUL, Jr., R. C.
A profit without honor. *11*:631–634
STANSEL, Dean. *See* Book reviews (Rusk)
STATISTICS
Are government statistics necessary? (Youngblood) 4:204
STRIKERS and scabs (Baird) 3:143–144
SWEET speculation (Ahrens) 7:358–360

TANNER, Mack
The fascist epithet. 6:284–287
TAX deduction for education (Cordato and Richman) 6:299–301
TAXES, taxation
Inside the federal hurting machine (Payne) 3:124–128
Shipwrecked in New Jersey (R. Peterson) 1:26–28
TAYLOR, Jeff A. *See* Book reviews (Euchner)

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

TENNEY, Glen
Interest rates and the business cycle. 11:611–614
Monopoly demand for labor? 4:174–176
THINGS are better than we think (and could be better yet) (Shaw) 6:276–278
"THOU shalt not steal" (Malek) 9:486–490
TIME to kill draft registration (Bandow) 12:690–695
TIME to smarten up rather than dumb down (Perlmutter) 10:569–570
TO repair the culture, free the market (Rockwell) 3:113–117
TRADE, international
Business in the global community (McGee) 7:377–379
Case against managed "fair" trade and strategic trade. (Kamath) 8:436–442
Environment and free trade (Kwong) 2:61–65
I'm all for free trade, but. . . (Skousen) 10:573–575
Moral aspect of the protective tariff (Jordan) 1:20–22
We need free trade in deed as well as word (Galles) 1:23–24
Why war? (Greaves) 4:159–163
TRANSFER payments
Nineteen neglected consequences of income redistribution (Higgs) 12:652–657
TRANSITTING away from the free market (Condry) 9:516–518
TRANSPORTATION
Federal transit subsidies: how government investment harms the U.S. economy (Semmens) 2:71–75
Government "investment" (Semmens) 4:168–169
Higher airfares ahead? (Anderson) 4:177
Incredible ticket machine (Ellig) 5:231–235
Private highways in America, 1792-1916 (Klein) 2:75–79
Transitting away from the free market (Condry) 9:516–518
TREACHERY? (Alexander) 9:491–492
TRIBAL premise of welfare capitalism illustrated (Wortham) 7:381–384
TRIEB, Phil
A needful blessing for the tsar. 3:141–143
TUCKER, Jeffrey. *See* Book reviews (Luttwak)

TWIGHT, Charlotte
Origins of federal control over education. 12:701–704

UNCLE Sam's high priced "volunteers" (Cunningham) 10:571–572
UNSEEN costs of family leave (Sirico) 2:83–84

VAN EATON, Charles D.
The piper will be paid. 11:623–626
VIEIRA, Jr., Edwin
What is a dollar? 11:627–630
VOLUNTARY action, voluntarism
Befriending volunteer: Octavia Hill (Clayton) 10:563–564
Do English cathedrals need government help? (Payne) 8:455–456
Ending welfare as they knew it (Wisz) 10:540–542
Firm hand up for street addicts (Boerner) 10:559–560
Foreign aid the voluntary way (Smith) 10:555–556
Grassroots mentors (Woodson) 10:543–544
Lodge doctors and the poor (Beito) 5:220–225
Some philanthropists turn their backs on voluntarism (Dennis) 10:565–566
Uncle Sam's high priced "volunteers" (Cunningham) 10:571–572

WALKER, Daniel F.
Property rights, American Constitutionalism and international human rights "law." 9:474–477
WALKER, Deborah
A feminist lesson from economics. 5:226–230
The women's agenda. 4:193–197
WALKER, Michael
Is Canadian health care a good model for the U.S. to follow? 8:405–407
WALL Street, perversity of (Skousen) 11:637–638
WAR
Losing touch (Boudreaux) 6:297–299
Peace, political science, and pedagogy (Barone) 7:379–380
Time to kill draft registration (Bandow) 12:690–695
Why war? (Greaves) 4:159–163
WE need free trade in deed as well as word (Galles) 1:23–24
WEIDENBAUM, Murray
The discouraged employer. 11:615–619

WHAT is a capitalist? (Clites) 9:518–519
WHAT is a dollar? (Vieira) 11:627–630
WHAT is government waste? (W. Peterson) 1:18–19
WHAT makes entrepreneurs tick? (Williams) 10:545–549
WHAT NBC didn't tell you about health-care reform (Orient) 11:598–599
WHAT'S wrong with democracy? (Hatzilambrou) 6:312–315
WHY old proverbs don't apply anymore (Dudley) 8:445–446
WHY war? (Greaves) 4:159–163
WILL Keynes ever die? (Skousen) 4:209–210
WILLIAMS, Gary S.
What makes entrepreneurs tick? 10:545–549
WISZ, Gerald
Ending welfare as they knew it. 10:540–542
WOLFRAM, Gary
The natural disaster protection act: a disaster waiting to happen. 8:417–420
WOMEN and the market
Are women exploited by the free market? (Chodes) 9:508–513
Beyond equality of the sexes (Roback) 12:679–684
Feminist lesson from economics (Walker) 5:226–230
WOMEN'S agenda (Deborah Walker) 4:193–197
WOODSON, Robert L.
Grassroots mentors. 10:543–544
WORKER in contemporary society (Chesher) 7:346–350
WORMAN, James J. (co-author). *See* Hagen
WORTHAM, Anne
The tribal premise of welfare capitalism illustrated. 7:381–384

YATES, Stephen
The ethics of affirmative action. 7:351–353
Rights versus entitlements. 9:478–479
YOUNGBLOOD, Robert
Are government statistics necessary? 4:204

ZIMMERMAN, Robert
By any means necessary? 6:304–306
A level playing field. 1:34–35
Our own mad clockwork. 3:118–123
ZSA ZSA and the litigation explosion (Reiland) 10:567–568

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

BOOK REVIEWS

(Reviewer's name in parentheses)

ANNIS, Edward R. *Code blue: health care in crisis* (Primich) 9:534–535
BANNISTER, Robert C., ed. *On liberty, society, and politics: the essential essays of William Graham Sumner* (Attarian) 1:42–43
BERNSTEIN, David (co-editor). *See* Foster
BOND, Larry. *Cauldron* (Leef) 12:709–710
BOORSTIN, Daniel J. *The creators: a history of heroes of the imagination* (Keating) 1:46–47
BORDO, Michael D. and Eichengreen, Barry, eds. *A retrospective on the Bretton Woods system—lessons for international monetary reform* (Batemarco) 2:94–96
BOVARD, James. *Lost rights: the destruction of American liberty* (W. Peterson) 12:712–713
COMMAGER, Henry Steele. *Commanger on Tocqueville* (D. Brown) 6:324–326
CORNUELLE, Richard. *Reclaiming the American dream* (Chamberlain) 6:323–324
DIETZE, Gottfried. *American democracy: aspects of practical liberalism* (Peterson) 10:582–583
EICHENGREEN, Barry (co-editor). *See* Bordo
EPSTEIN, Richard. *Bargaining with the state* (Adler) 8:460–461
EUCHNER, Charles. *Playing the field* (Taylor) 5:272
FOSTER, Kenneth and Bernstein, David and Huber, Peter, eds. *Phantom risk: scientific interference and the law* (Bandow) 7:388–391
FREEMAN Classics. *Bankers and regulators* (Batemarco) 7:391–392
_____. *Man and nature* (Keating) 9:535–536
FULDA, Joseph S. *Are there too many lawyers? and other vexatious questions* (Brown) 11:639–640
GALE, Robert Peter. *Final warning* (Chamberlain) 4:211
GASMAN, Lawrence. *Telecompetition: the free market road to the information highway* (Keating) 11: 644–646
GILDER, George. *Recapturing the spirit of enterprise* and *Wealth and poverty* (Keating) 3:148–150
GWARTNEY, James D. and Stroup, Richard L. *What everyone should know about economics and prosperity* (Attarian) 4:213–214
HANKE, Steve H. and Jonung, Lars and Schuler, Kurt. *Russian currency and finance* (Peterson) 9:531–532
HENDERSON, David R., ed. *The Fortune encyclopedia of economics* (Keating) 5:270–272
HOLTZ, William. *The ghost of the little house: a life of Rose Wilder Lane* (Greaves) 9:528–529
HOPPE, Hans-Herman. *The economics and ethics of private property: studies in political economy and philosophy* (Kinsella) 11:640–642
HUBER, Peter (co-editor). *See* Foster
IOANNIDES, Stavros. *The market, competition and democracy: a critique of neo-Austrian economics* (Kirzner) 1:44–46
JONUNG, Lars (co-author). *See* Hanke
KIRK, Russell. *The politics of prudence* (Chamberlain) 1:40
LAWSON, Nigel. *The view from no. 11: memoirs of a Tory radical* (Keating) 10:579–580
LEWIS, Martin. *Green delusions: an environmentalist critique of radical environmentalism* (Bandow) 1:41–42
LIEBERMAN, Myron. *Public education: an autopsy* (Leef) 8: 461–463
LUTTWAK, Edward N. *The endangered American dream* (Tucker) 8:463–464
MACHAN, Tibor R. *The virtue of liberty* (Chesher) 10:576–579
MAGNET, Myron. *The dream and the nightmare: the sixties legacy to the underclass* (Person) 11:642–644
MEINERS, Roger E. and Yandle, Bruce, eds. *Taking the environment seriously* (Adler) 4:214- 216
NOVAK, Michael. *The Catholic ethic and the spirit of capitalism* (Nash) 1:43–44
PATERSON, Isabel. *The god of the machine* (Attarian) 9:530–531
PETERSON, Peter G. *Facing up: how to rescue the economy from crushing debt and restore the American dream* (Attarian) 10:581–582
PUTNAM, Robert D. *Making democracy work: civic traditions in modern Italy* (Bolch) 4:211- 213
RAIMONDO, Justin. *Reclaiming the American Right: the lost legacy of the conservative movement* (Christie) 6:326–327
RAUCH, Jonathan. *Kindly inquisitors: the new attacks on free thought* (Adler) 3:150–152
ROCHE III, George C. *Free markets, free men* (Chamberlain) 10:576
ROSTOW, Eugene. *Toward managed peace* (Chamberlain) 4:211
RUBENSTEIN, Edwin S., et al. *The right data* (Batemarco) 12:710–711
RUSK, David. *Cities without suburbs* (Stansel) 5:267–70
SCHULER, Kurt (co-author). *See* Hanke
SHELTON, Judy. *Money meltdown: restoring order to the global currency system* (Keating) 12:711–712
SOWELL, Thomas. *Inside American education: the decline, the deception, the dogmas* (Groff) 6: 327–328
STROUP, Richard L. (co-author). *See* Gwartney
THATCHER, Margaret. *The Downing Street years* (Keating) 10:576–579
TIMBERLAKE, Richard. *Monetary policy in the United States: an intellectual and institutional history* (Horwitz) 5:266–267
WALTER, Edward. *The rise and fall of leftist radicalism in America* (Osterfeld) 2:93–94
WOOSTER, Martin Morse. *Angry classrooms, vacant minds* (Hood) 9:532–534
YANDLE, Bruce (co-editor). *See* Meiners

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Free Subscription Offer!

Home School Digest

Published with a Christian perspective, the purpose of the DIGEST is to expose homeschoolers to the wide scope of issues surrounding the homeschool movement. It will encourage the reader to formulate a solid basis of conviction and a failproof approach to the task of homeschooling through the informative articles and inspirational essays in every exciting issue of the HOME SCHOOL DIGEST.

Order your subscription today
and enter a
gift subscription for a homeschooling friend
ABSOLUTELY FREE!

❑ Enclosed is $15.00. Enter my subscription for one full year (four quarterly issues) of the DIGEST and also include a free gift subscription for my friend. A gift announcement will be sent two weeks before their first issue arrives.

Your Name _____

Address _____

City _____ State _____ Zip _____

Phone _____

Your Friend's Name _____

Address _____

City _____ State _____ Zip _____

Phone _____

HSD

Wisdom Publications, P.O. Box 575, Winona Lake, IN 46590

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

"For lo, the days are hastening on,
By prophet bards foretold,
When with the ever-circling years
Comes round the age of gold.
When peace shall over all the earth
Its ancient splendors fling,
And the whole world give back the song
Which now the angels sing."

—EDMUND H. SEARS, 1849

THE FOUNDATION FOR
ECONOMIC EDUCATION, INC.
30 South Broadway
Irvington-on-Hudson, NY 10533

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED